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STATE OF NEW YORK

COMPREHENSIVE ANNUAL

Financial Report of the Comptroller

FOR THE FISCAL YEAR ENDING MARCH 31,

1986

EDWARD V. REGAN
State Comptroller

EDWARD V. REGAN
State Comptroller

". . . On the industry, capacity and integrity of the Comptroller's Office, the prosperity of the State is more dependent than any single office of the government."

Hammond: The History of Political Parties in the State of New York (1842)

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Contents

OVERVIEW

New York State Organization Chart 6
Selected State Officials 6
Letter From the Comptroller 7

COMBINED FINANCIAL STATEMENTS

Report of Independent Auditors 17
Combined Balance Sheet—
All Fund Types and Account Groups (Exhibit A) 18
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances—All Governmental
Fund Types and Expendable Trust Funds (Exhibit B) 20
Combined Statement of Cash Receipts and
Disbursements—Budgetary Basis—
Financial Plan and Actual—
Governmental Fund Types (Exhibit C) 22
Combined Statement of Revenues, Expenses and
Changes in Equity—Nonexpendable Trust Funds,
State Administered Retirement Systems and
Public Benefit Corporations (Exhibit D) 24
Combined Statement of Changes in Financial
Position—Nonexpendable Trust Funds, State
Administered Retirement Systems and
Public Benefit Corporations (Exhibit E) 25
Notes to Combined Financial Statements 26

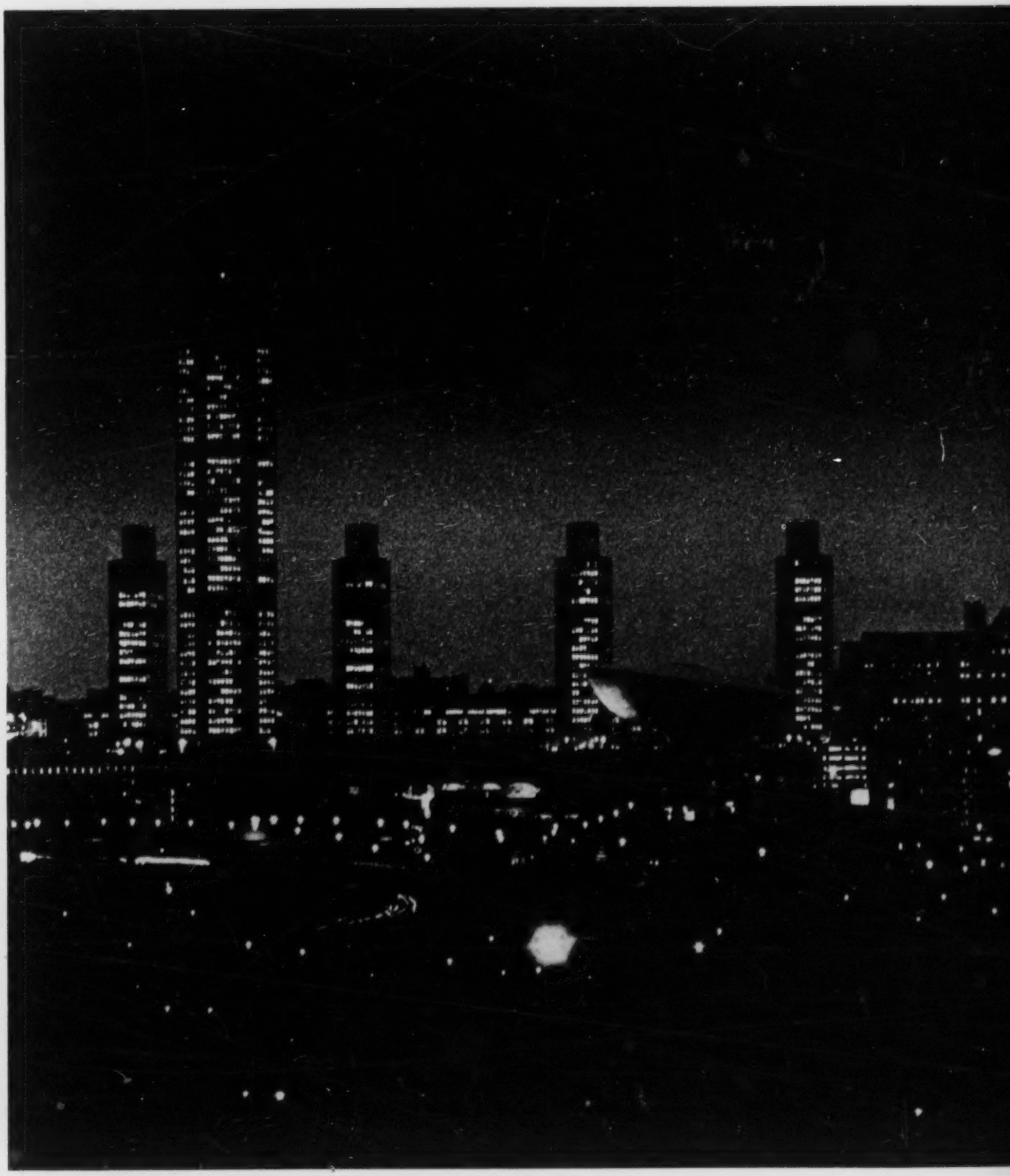
COMBINING FINANCIAL STATEMENTS

General Fund
Narrative and Charts 59
Combining Balance Sheet 60
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances 64
Special Revenue Funds
Narrative and Charts 69
Combining Balance Sheet 70
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances 74

Debt Service Funds
Narrative and Charts ..... 7[illegible]
Combining Balance Sheet 80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 82
Capital Projects Funds
Narrative and Charts 85
Combining Balance Sheet 86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 88
Trust and Agency Funds
Narrative and Charts 91
Combining Balance Sheet 92
Nonexpendable Trust Funds
Combining Statement of Revenues, Expenses and Changes in Equity 96
Expendable Trust Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances 98

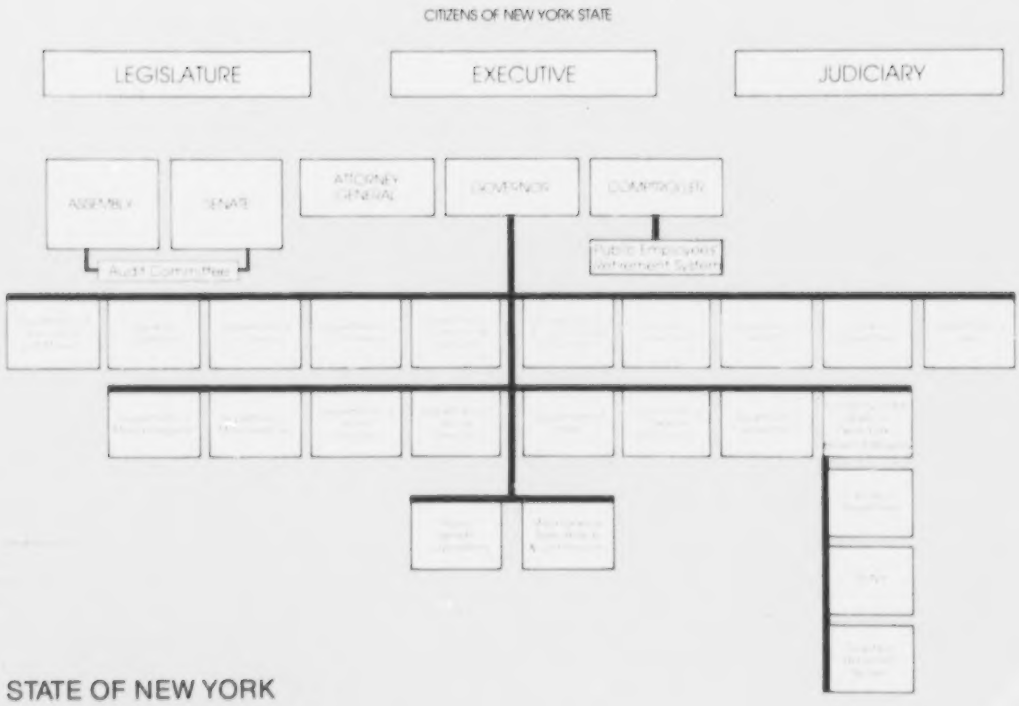
STATISTICAL SECTION

Schedule of Revenues, Expenditures and Other Financing Sources (Uses)—All Governmental Funds—for the Ten Past Fiscal Years 100
Schedule of Collections of Principal State Taxes 102
Schedule of State Related Debt Per Capita 102
Schedule of Demographic Statistics 103
Schedule of City Populations Within New York State 103
Schedule of Ten Largest Industrial & Commercial Employers 104



City of Albany Skyline

Overview



STATE OF NEW YORK

Selected State Officials

Executive

Mario M. Cuomo, Governor
Edward V. Regan, Comptroller
Robert Abrams, Attorney General

Judicial

Sol Wachtler, Chief Judge
Court of Appeals of New York

Legislative

Warren M. Anderson, Temporary President of the Senate
Stanley Fink, Speaker of the Assembly
Manfred Ohrenstein, Senate Minority Leader
Clarence D. Rappleyea, Assembly Minority Leader

Letter from the Comptroller

To the Citizens, Governor and Members of the Legislature of the State of New York:

In accordance with Section 809 of the New York State Finance Law, I am pleased to present to you the Comprehensive Annual Financial Report of the State of New York for the fiscal year ended March 31, 1986. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the State Comptroller. I am confident the data, as presented, is accurate in all material aspects; that it is presented in a manner which fairly sets forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the State's financial affairs have been included.

This report has been prepared in accordance with generally accepted accounting principles for governments as promulgated by both the Governmental Accounting Standards Board and the Financial Accounting Standards Board. The combined financial statements contained in this report have been examined by Peat, Marwick, Mitchell & Co. Their report confirms that, with the exception of general fixed assets, the information is fairly presented in accordance with generally accepted accounting principles.

Fiscal Reform

The Combined Financial Statements have now been examined for the past four years by the State's independent auditors. These financial statements have clearly illustrated my long standing concern that the State must take permanent steps to reduce the spring borrowing and the accumulated General Fund deficit. I'm pleased to report that the State has shown signs of fiscal reform. The 1986 spring borrowing was reduced by $800 million from $4.3 billion in 1985 to this year's borrowing of $3.5 billion. This was accomplished by a joint agreement between the Governor and my office, approved by the Legislature, to change the payment date of the State's contribution to the Public Employees Retirement System (PERS). In addition, the PERS will be strengthened because the agreement calls for future annual contributions to be made on a current basis rather than on a lag basis. The agreement also calls for the State's outstanding liability of $1.4 billion at March 31, 1986 to PERS, to be reduced by equal payments over the next 17 years.

I'm also pleased to report that the General Fund ended the year with an operating surplus for the first time since we began preparing the financial statements in accordance with generally accepted accounting principles. The General Fund operating results have gone from a $1.037 billion deficit in fiscal 1982-83 to a $156 million surplus in fiscal 1985-86. This is partially the result of the improved economy, but it is also the result of my commitment, with the support of the Governor and Legislature, to eliminate previous fiscal practices that led to the State's enormous accumulated deficit. As the result of the fiscal reforms implemented during this past year, the State's general obligation bond rating was raised by Moody's Investor's Service from A to A1. The improved credit rating not only will save the State money through lower interest costs, but it should also have a similar effect on the State's public authorities and municipalities.

Although I'm pleased with the efforts taken to date, there is still a need for greater discipline in the fiscal process and for additional fiscal reforms. The most compelling issue facing New York today is controlling State spending and further reducing the accumulated deficit. Excessive spending can only be brought under control when we limit the use of State imposed mandates and exercise more effective management control over State agencies and their programs.

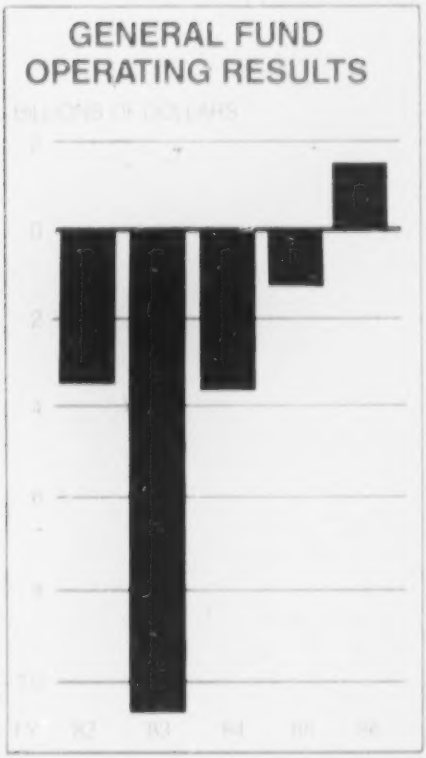
Once we get State spending back under control, then we can address the ultimate goal of achieving permanent tax reductions. To have tax cuts without also dealing with the State's excessive spending is deceptive. A tax cut program was initiated two years ago based on the excessive revenues generated by our thriving economy. Even with these tax cuts State revenues and spending still increased at a rate higher than either the rate of inflation or the growth in personal income in the State. An economic downturn could very easily result in the reversal of those tax cuts. If we want meaningful tax cuts, we must first control State spending.

Since I first came into office in 1979, I've worked to bring about fiscal reform. While there has been progress, there is much more to be achieved. I will continue to speak out on fiscal issues, encouraging the State to exercise greater discipline and restraint in managing its fiscal affairs.

Accounting Systems

The State's accounting records for governmental funds and expendable trust funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities are incurred. Accounting records for nonexpendable trust funds are maintained on the accrual basis, while agency funds are accounted for on the cash basis.

In developing the State's accounting system, consideration was given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived. To insure the adequacy of the State's internal accounting controls my auditors periodically check adherence to interal control policies and procedures.



Budgetary Process and Controls

The State Constitution requires the Governor to submit a cash basis balanced Executive Budget which contains a complete plan of expenditures for the ensuing fiscal year and all moneys and revenues sufficient to meet the proposed expenditures. Included in the proposed budget are provisions for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes both cash basis and GAAP basis financial plans for the ensuing fiscal year as well as a five year financial projection for governmental funds and a five year capital plan. The accounting policies used in developing the GAAP basis financial plans are generally consistent with those used in preparing the annual GAAP financial statements.

The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved. The Legislature may also enact a supplemental appropriation bill and numerous other appropriation bills as it deems necessary. Once the appropriation and

revenue bills become law, the cash basis and the GAAP basis financial plans are revised to reflect legislative actions. Generally, the financial plans are updated quarterly and the Governor is required to report to the Legislature showing a comparison of the actual year to date results with the revised plans and providing an explanation of any major deviations or significant changes to the financial plans.

Budgetary control is maintained at the program level by the encumbrance of estimated purchase amounts prior to the release of purchase orders and contracts to vendors. Purchase orders that result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Outstanding encumbrances are reported as reservations of fund balances at year end.

The Reporting Entity and Its Services

The funds and entities included in our Comprehensive Annual Financial Report are controlled by or dependent on the State. Determination of "controlled by or dependent on" is based on criteria prescribed by the Governmental Accounting Standards Board, for defining the financial reporting entity. The criteria deals with the selection of the governing authority, designation of management, scope of public service and the ability to significantly influence operations. Based on these criteria the various funds, account groups and entities shown in this report are considered to be part of the reporting entity.

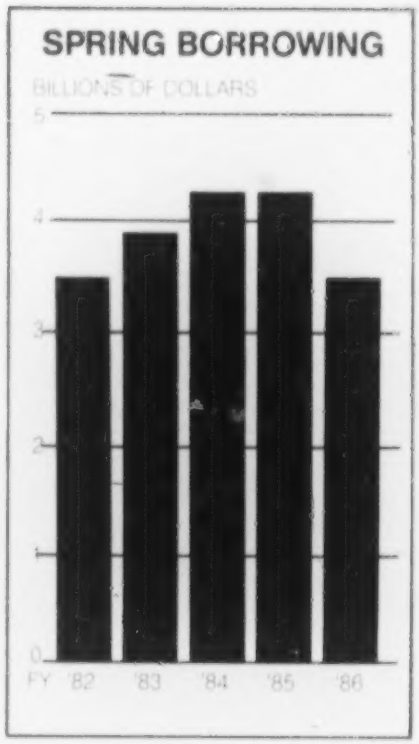
The State provides a comprehensive range of governmental services in the areas of education, social services, health and environmental services, transportation, mental health, housing and urban renewal, among others.

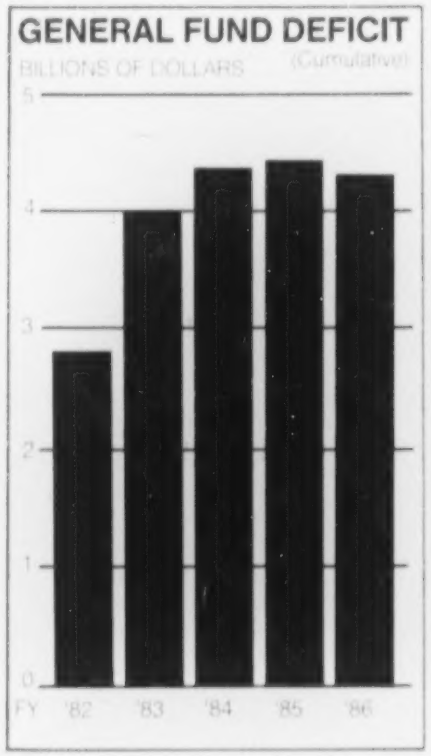
General Governmental Functions

The State completed its fiscal year ended March 31, 1986 with a combined governmental funds operating surplus of $301 million as compared to a combined governmental funds operating deficit for the preceding fiscal year of $26 million. The combined 1985-86 operating surplus of $301 million included operating surpluses in the General Fund of $156 million, Special Revenue Funds of $170 million and Debt Service Funds of $67 million, offset by an operating deficit in the Capital Projects Funds of $92 million. The 1984-85 operating deficit of $26 million included operating deficits in the General Fund of $106 million, offset by operating surpluses in the Special Revenue Funds of $57 million, Debt Service Funds of $17 million and Capital Projects Funds of $6 million.

The State's financial position as shown in its Combined Balance Sheet as of March 31, 1986 includes an accumulated deficit in its governmental funds of $3.124 billion represented by liabilities of $10.034 billion and assets of $6.910 billion available to liquidate such liabilities. The accumulated governmental funds deficit includes a $4.281 billion accumulated General Fund deficit, consisting of the $4.437 billion accumulated deficit at April 1, 1985 plus the $156 million operating surplus in the General Fund for fiscal 1986, offset by an accumulated surplus of $1.156 billion for all other governmental funds.

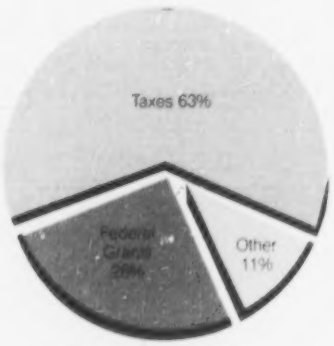
The State continued to enjoy the economic recovery carried over from the previous two fiscal years. Revenues and other financing sources of the general governmental functions totaled $35.707 billion, an increase of $2.880 billion (8.77%) over the previous year. The revenues from various sources, per Exhibit B, and the change from the previous year are shown in the following tabulation (amounts in thousands):





Revenue and Other Financing Sources

	1986	1985	Increase/(Decrease) Over 1985 Actual Amount	Percent
REVENUES:				
Taxes				
Personal income	$ 11,506,741	$ 10,595,701	$ 911,040	8.60%
General business	3,305,952	3,456,352	(150,400)	(4.35%)
Consumption and use	6,326,853	5,864,693	462,160	7.88%
Other	1,115,309	885,719	229,590	25.92%
Subtotal	22,254,855	20,802,465	1,452,390	6.98%
Federal Grants	8,999,200	8,195,346	803,854	9.81%
Other				
Lottery	1,245,384	1,200,904	44,480	3.70%
Tuition and fees	659,136	705,723	(46,587)	(6.60%)
Patient fees	510,600	401,099	109,501	27.30%
Miscellaneous	1,383,008	1,247,395	135,613	10.87%
Subtotal	3,798,128	3,555,121	243,007	6.84%
Total revenues	35,052,183	32,552,932	2,499,251	7.68%
OTHER FINANCING SOURCES:				
Proceeds from general obligations bonds and financing agreements	654,658	274,075	380,583	138.86%
Total revenues and other financing sources	$ 35,706,841	$ 32,827,007	$ 2,879,834	8.77%



Revenues 1986

Increases in revenues were highlighted by:

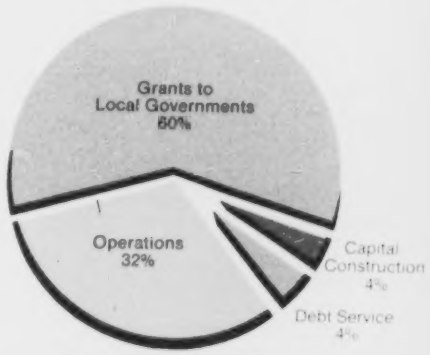
- $911 million in personal income taxes, the State's largest revenue source. The increase is attributed to higher personal withholding and estimated tax payments relating to increased employment in addition to receipts collected as part of the State's amnesty program. This increase also reflects offsets resulting from the first year of the State's three year tax reduction program.
- $462 million in consumption and use taxes, reflecting sales tax gains on auto sales and motor fuel usage as well as the implementation of the 1985 gasoline tax enforcement legislation.
- $230 million in other taxes due to increased real property gains taxes and real estate transfer taxes because of the large volume of real estate sales and to increased estate and gift taxes because of the increase in the number and average value of large estates.

Expenditures for governmental purposes totaled $35.406 billion in fiscal 1986, which represents an increase of $2.553 billion (7.77%) over expenditures in fiscal 1985. Changes in expenditures by function from fiscal 1985 levels are presented in the following tabulation (amounts in thousands):

Expenditures	1986	1985	Increase/(Decrease) Over 1985 Actual Amount	Percent
Grants to Local Governments				
Education	$ 7,728,679	$ 7,094,192	$ 634,487	8.94%
Social services	9,807,259	8,987,908	819,351	9.12%
Non-categorical aid	1,150,035	948,131	201,904	21.29%
Health and environmental	377,990	440,702	(62,712)	(14.23%)
Transportation	983,262	988,455	(5,193)	(.53%)
Mental health	502,311	382,569	119,742	31.30%
Criminal justice	163,047	84,959	78,088	91.91%
Other programs	692,757	663,534	29,223	4.40%
Subtotal	21,405,340	19,590,450	1,814,890	9.26%
Operations of State Government	11,165,572	10,625,232	540,340	5.09%
Debt service and financing agreements	1,314,612	1,309,285	5,327	.41%
Capital outlays	1,520,584	1,327,955	192,629	14.51%
Total expenditures	**$ 35,406,108**	**$ 32,852,922**	**$ 2,553,186**	**7.77%**

The major increases included:

- $634 million for education aid for elementary, secondary, and higher education for the general support of public schools. Funds for these programs are derived from the General and Special Revenue Funds.
- $819 million for social services programs, reflecting the additional cost of the State's share of long-term care takeover, increases in supplemental home energy assistance, increases in benefit levels for resident adult care facility residents and increases in the homeless housing program.
- $540 million for operations of State Government, due to increases in the following departments: Taxation and Finance, Transportation, Correctional Services, State University and Social Services.



Expenditures 1986

Debt Administration and Other Financing Arrangements

There are a number of methods by which the State may incur debt. The State may issue general obligation bonds authorized by the voters and notes in anticipation of such bonds. The State, with voter approval, may also directly guarantee certain Authority obligations. Payments on debt service on State general obligations and State-guaranteed bonds or notes are legally enforceable obligations of the State. The State has never been called upon to make any direct payments pursuant to its guarantee.

The State has also entered into lease/purchase agreements and other financing arrangements with several public benefit corporations and municipalities. In addition, the State entered into various arrangements for the refinancing and purchase of equipment through the issuance of certificates of participation.

Bonds Payable and Short-Term Financing

The State's general obligation bonds are rated A+ by Standard and Poor's Corporation and A1 by Moody's Investors Service. The State had approximately $3.580 billion in general obligation bonds outstanding at year-end. During the year the State issued $160 million in general obligation bonds and redeemed $268 million. The total amount of general obligation bonded debt authorized but not yet issued at year-end is $1.915 billion.

The State has received the highest rating for its short-term notes from Moody's Investors Service (MIG 1) and Standards and Poor's Corporation (SP-1+). Bond anticipation notes payable increased by $37 million resulting in a year-end balance of $155 million. The bond anticipation notes were issued, in the form of commercial paper, at an average interest rate of 5.2%.

The State issues tax and revenue anticipation notes (TRANS) in bearer form annually, at the inception of each fiscal year. In April 1985 the State issued an aggregate amount of $4.3 billion which were repaid by March 1986. In April 1986 the State issued $3.5 billion in TRANS. As I previously mentioned, this reduction was primarily the result of a change in the payment date for the State's contribution to PERS.

Obligations under Lease/Purchase and Other Financing Agreements

The State has entered into lease/purchase agreements with selected public benefit corporations and municipalities for certain of its capital facilities. Under the agreements, construction costs are initially paid from appropriations and repaid to the State from proceeds of bond issues.

The State also enters into other financing arrangements with several public benefit corporations. The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by the entity. The public benefit corporations will generally retain title to the assets acquired with the bond proceeds.

At year end the State had long-term obligations of $6.179 billion under lease/purchase and other financing agreements, an increase of $536 million from fiscal 1985.

Fiduciary Fund Type

The Fiduciary Fund Type includes Trust and Agency Funds and the State administered retirement systems. Trust and Agency Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments. The Trust and Agency Funds reported a year end fund balance of $2.793 billion as compared to the previous year end of $2.313 billion.

The three major State administered retirement systems for State and local government employees, outside of New York City, reported a combined net assets available for retirement benefits of $47.131 billion as compared to the previous year end amount of $39.829 billion. For further information refer to Note 13 of the Notes to the Combined Financial Statements.

Public Benefit Corporations

Public Benefit Corporations (PBC's) are legally separate entities that are not operating departments of the State. PBC's have been established for a variety of purposes for the benefit of the State's residents such as economic development, capital construction, financing and public transportation. The powers of the PBC's generally are vested in their governing boards. The Governor, with the approval of the State Senate, appoints the members of the Board of most major PBC's and either the Governor or the Board selects the Chairman and chief operating officer. PBC's are not subject to the State constitutional restrictions on the incurrence of debt which apply to the State and may issue bonds and notes within legislatively authorized amounts.

PBC's submit annual reports to the Governor, the Legislature and the Comptroller on their operations and finances accompanied by an independent auditor's report. PBC's are generally supported by revenues derived from their activities, although in recent years the State has provided special financial assistance, in some cases of a recurring nature, to certain corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. In accordance with the current standards of the Governmental Accounting Standards Board the PBC's have been presented as the Proprietary Fund Type in this report. The

amounts presented in this report were derived from their most recent financial statements. At year end these entities reflected a combined equity of $6.204 billion. For further information refer to Note 14 of the Notes to the Combined Financial Statements.

Cash Management

Cash deposits into the State Treasury are controlled jointly by the State Comptroller and Commissioner of Taxation and Finance. Cash is managed in pooled investment funds to maximize interest earnings. Investments are made in accordance with the State Finance Law. Cash is primarily invested in repurchase agreements involving United States Treasury obligations and remaining funds are invested in United States Treasury Bills. For the fiscal year ended March 31, 1986 the average daily balance of pooled investment funds was $2.719 billion with an average yield of 7.88% and total investment income of $214.3 million. Cash deposits not held in the State Treasury and controlled by various State officials are generally held in interest bearing accounts.

General Fixed Assets

The general fixed assets of the State are those fixed assets used in the performance of general governmental functions. They do not include the fixed assets of the public benefit corporations. Currently the State, in conjunction with a consultant, is in the process of developing a Fixed Asset Reporting System. The system should be fully implemented by fiscal 1987-88 and will be established in accordance with GAAP. Infrastructure (e.g. highways and bridges) will not be included in the Fixed Asset Reporting System.

Future Prospects

It is anticipated that the State's economy will continue to grow in fiscal year 1986-87. This, coupled with a commitment to expenditure restraint and tax reductions, is projected to result in a GAAP General Fund operating surplus of $113 million for fiscal year 1986-87. This is certainly an encouraging sign and demonstrates the need to continue my initiative for fiscal reform to reduce the General Fund deficit and the State's annual spring borrowing.

Conclusion

This report continues my commitment to comprehensive disclosure and progressive leadership in financial reporting. It also shows the progress that has been made in reducing spring borrowing requirements and the General Fund accumulated deficit. I will continue to speak out in support of fiscal reform until our goals are achieved by reducing the accumulated deficit and short-term debt of the State.

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. I especially appreciate the professionalism and dedication demonstrated by my staff in the preparation of this report.

Edward V. Regan

Sincerely,
EDWARD V. REGAN
New York State Comptroller

State Capitol, Albany

Combined Financial Statements

State University of New York Central Administration, Albany

PEAT MARWICK

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
74 North Pearl Street
Albany, New York 12207
(518) 462-9651

The Audit Committee of the
New York State Legislature:

We have examined the combined financial statements (Exhibits A through E, inclusive) of the State of New York as of and for the year ended March 31, 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain entities, which statements reflect total assets and revenues constituting 67% and 85% of the assets and revenues, respectively, of the Public Benefit Corporations; nor did we examine the financial statements of the entities comprising the State Administered Retirement Systems. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

As more fully described in note 1 (f), the General Fixed Assets Account Group included in the combined financial statements referred to above does not reflect all of the general fixed assets required to be recorded by generally accepted accounting principles.

In our opinion, based upon our examination and the reports of other auditors, except for the effect of the matter discussed in the preceding paragraph, the combined financial statements present fairly the financial position of the State of New York at March 31, 1986 and the results of its operations and the changes in financial position of the Nonexpendable Trust Funds, State Administered Retirement Systems and Public Benefit Corporations for the year then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in accounting for pension expenditures as described in note 13, have been applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

July 22, 1986

Combined Balance Sheet

ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 1986

(Amounts in thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS:				
Cash and marketable securities	$ 642,741	$ 386,531	$ 642,145	$ 188,898
Retirement systems investments	–	–	–	–
Receivables, net of allowances for uncollectibles:				
Taxes	3,024,165	40,353	–	–
Due from Federal government	–	1,321,971	–	69,910
Loans and leases	–	–	–	–
Other	76,908	26,157	232,466	26,658
Due from other funds	57,889	80,727	8,926	675
Marketable securities held in lieu of retainage	–	–	–	43,059
Fixed assets	–	–	–	–
Other assets	37,989	1,579	–	–
Assets available for future debt service	–	–	–	–
Resources to be provided for retirement of general long-term obligations	–	–	–	–
Total assets	**$ 3,839,692**	**$ 1,857,318**	**$ 883,537**	**$ 329,200**
LIABILITIES:				
Tax refunds payable	$ 2,758,806	$ 5,196	$ –	$ –
Payable to local governments	3,112,880	410,487	–	–
Pension contributions payable	591,132	–	–	–
Accounts payable	273,940	117,687	130	288,212
Accrued liabilities	1,128,900	766,233	456	899
Due to other funds	94,839	81,471	1,338	16,948
Deferred revenues	159,896	3,060	59,721	6,407
Notes payable	–	–	–	155,240
Bonds payable	–	–	–	–
Obligations under lease/purchase and other financing agreements	–	–	–	–
Other long-term liabilities	–	–	–	–
Total liabilities	**8,120,393**	**1,384,134**	**61,645**	**467,706**
EQUITY (DEFICIT):				
Fund balances (deficits):				
Reserved for:				
Encumbrances	378,008	61,093	–	2,190,850
Unemployment benefits	–	–	–	–
Debt service	–	–	323,222	–
Tax stabilization	201,234	–	–	–
Education accumulation	191,000	–	–	–
Other specified purposes	8,569	–	–	26,563
Unreserved:				
Designated	–	412,091	498,670	–
Undesignated	(5,059,512)	–	–	(2,355,919)
Investment in general fixed assets	–	–	–	–
Net retirement systems assets available for benefits	–	–	–	–
Equity of public benefit corporations	–	–	–	–
Total equity (deficit)	**(4,280,701)**	**473,184**	**821,892**	**(138,506)**
Commitments and contingencies				
Total liabilities and equity	**$ 3,839,692**	**$ 1,857,318**	**$ 883,537**	**$ 329,200**

See accompanying notes to the combined financial statements.

EXHIBIT A

Account Groups		Fiduciary Fund Types		Proprietary Fund Type
General Fixed Assets	General Long-term Obligations	Trust and Agency	State Administered Retirement Systems	Public Benefit Corporations
$ –	$ –	$ 4,386,467	$ 1,437,617	$ 11,522,943
–	–	–	42,211,840	–
–	–	765,853	–	–
–	–	76,911	–	76
–	–	–	–	9,127,796
–	–	238,272	3,722,353	1,223,149
–	–	65,384	–	–
–	–	–	–	–
4,401,812	–	–	–	9,391,447
–	–	902	109,245	657,584
–	821,892	–	–	–
–	11,035,627	–	–	–
$ 4,401,812	**$ 11,857,519**	**$ 5,533,789**	**$ 47,481,055**	**$ 31,922,995**
$ –	$ –	$ –	$ –	$ –
–	–	982,285	–	–
–	761,607	–	–	1,416,839
–	–	49,330	–	252,462
–	–	1,690,173	335,449	4,255,014
–	–	19,005	–	–
–	–	18	–	469,481
–	–	–	–	407,191
–	3,579,808	–	–	17,809,526
–	6,178,534	–	–	–
–	1,337,570	–	14,440	1,108,110
–	**11,857,519**	**2,740,811**	**349,889**	**25,718,623**
–	–	–	–	–
–	–	2,281,623	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	511,355	–	–
–	–	–	–	–
–	–	–	–	–
4,401,812	–	–	–	–
–	–	–	47,131,166	–
–	–	–	–	6,204,372
4,401,812	**–**	**2,792,978**	**47,131,166**	**6,204,372**
$ 4,401,812	**$ 11,857,519**	**$ 5,533,789**	**$ 47,481,055**	**$ 31,922,995**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS
Year Ended March 31, 1986
(Amounts in thousands)

	Governmental		
	General	Special Revenue	Debt Service
REVENUES:			
Taxes:			
Personal income	$ 11,506,741	$ –	$ –
General business	2,911,591	394,361	–
Consumption and use	6,114,953	183,132	28,768
Unemployment	–	–	–
Other	1,115,309	–	–
Federal grants	90,411	8,304,174	12,670
Lottery	–	1,245,384	–
Tuition and fees	–	–	659,136
Patient fees	–	–	510,600
Miscellaneous	1,149,073	100,610	97,315
Total revenues	**22,888,078**	**10,227,661**	**1,308,489**
EXPENDITURES:			
Grants to local governments:			
Education	6,243,307	1,481,745	–
Social services	4,422,980	5,384,279	–
Non-categorical aid	1,150,035	–	–
Health and environmental	145,151	154,594	–
Transportation	324,011	578,913	–
Mental hygiene	463,649	30,729	–
Criminal justice	161,410	1,637	–
Other programs	290,698	339,894	–
Operation of state departments and agencies:			
Personal service costs	5,820,178	348,502	–
Non-personal service costs	2,298,308	946,695	–
Pension contribution	549,828	41,304	–
Other fringe benefits	1,095,595	65,162	–
Debt service, including payments on financing agreements	218,516	–	1,096,096
Capital construction	–	–	–
Unemployment benefits	–	–	–
Total expenditures	**23,183,666**	**9,373,454**	**1,096,096**
Excess (deficiency) of revenues over expenditures	**(295,588)**	**854,207**	**212,393**
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	1,727,022	133,580	1,456,832
Operating transfers to other funds	(1,275,360)	(818,272)	(1,601,872)
Proceeds of general obligation bonds	–	–	–
Proceeds from financing agreements	–	–	–
Net other financing sources (uses)	**451,662**	**(684,692)**	**(145,040)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	156,074	169,515	67,353
Fund balances (deficits) at April 1, 1985	(4,436,775)	303,669	754,539
Fund balances (deficits) at March 31, 1986	**$ (4,280,701)**	**$ 473,184**	**$ 821,892**

See accompanying notes to the combined financial statements.

EXHIBIT B

Fund Types			Fiduciary Fund Type
Capital Projects	Total (Memorandum Only)		Expendable Trust
$ –	$ 11,506,741		$ –
–	3,305,952		–
–	6,326,853		–
–	–		1,521,646
–	1,115,309		–
591,945	8,999,200		34,580
–	1,245,384		–
–	659,136		–
–	510,600		–
36,010	1,383,008		219,040
627,955	**35,052,183**		**1,775,266**
3,627	7,728,679		–
–	9,807,259		–
–	1,150,035		–
78,245	377,990		–
80,338	983,262		–
7,933	502,311		–
–	163,047		–
62,165	692,757		4,284
–	6,168,680		1,805
–	3,245,003		66,105
–	591,132		–
–	1,160,757		563
–	1,314,612		–
1,520,584	1,520,584		–
–	–		1,260,123
1,752,892	**35,406,108**		**1,332,880**
(1,124,937)	**(353,925)**		**442,386**
476,668	3,794,102		–
(98,598)	(3,794,102)		–
160,000	160,000		–
494,658	494,658		–
1,032,728	**654,658**		**–**
(92,209)	300,733		442,386
(46,297)	(3,424,864)		2,069,507
$ (138,506)	**$ (3,124,131)**		**$ 2,511,893**

Combined Statement of Cash Receipts and Disbursements

BUDGETARY BASIS – FINANCIAL PLAN AND ACTUAL
GOVERNMENTAL FUND TYPES
Year Ended March 31, 1986
(Amounts in thousands)

	General			Special Revenue		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 21,788,900	$ 21,798,400	$ 9,500	$ 544,000	$ 571,200	$ 27,200
Miscellaneous	1,033,000	979,000	(54,000)	1,204,000	1,221,200	17,200
Federal grants	87,000	83,800	(3,200)	8,023,000	8,170,600	147,600
Total receipts	**22,908,900**	**22,861,200**	**(47,700)**	**9,771,000**	**9,963,000**	**192,000**
DISBURSEMENTS:						
Grants to local governments	14,075,000	14,012,900	62,100	7,753,000	7,738,000	15,000
Departmental operations	5,853,000	5,824,400	28,600	2,502,000	2,446,300	55,700
General state charges	1,686,000	1,695,300	(9,300)	165,000	144,000	21,000
Debt service	218,000	218,500	(500)	–	–	–
Capital projects	–	–	–	15,000	5,700	9,300
Total disbursements	**21,832,000**	**21,751,100**	**80,900**	**10,435,000**	**10,334,000**	**101,000**
Receipts over (under) disbursements	**1,076,900**	**1,110,100**	**33,200**	**(664,000)**	**(371,000)**	**293,000**
OTHER FINANCING SOURCES (USES):						
Bond proceeds, net	–	–	–	–	–	–
Transfers from other funds	138,000	139,400	1,400	1,652,000	1,598,200	(53,800)
Transfers to other funds	(1,164,000)	(1,198,600)	(34,600)	(814,000)	(830,400)	(16,400)
Net other financing sources (uses)	**(1,026,000)**	**(1,059,200)**	**(33,200)**	**838,000**	**767,800**	**(70,200)**
Receipts and other financing sources over (under) disbursements and other financing uses	**$ 50,900**	**$ 50,900**	**$ –**	**$ 174,000**	**$ 396,800**	**$ 222,800**

See accompanying notes to combined financial statements.

EXHIBIT C

Debt Service			Capital Projects		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 29,000	$ 28,800	$ (200)	$ –	$ –	$ –
1,112,000	1,037,500	(74,500)	392,000	401,500	9,500
12,000	12,700	700	554,000	605,800	51,800
1,153,000	**1,079,000**	**(74,000)**	**946,000**	**1,007,300**	**61,300**
–	–	–	–	–	–
–	–	–	5,000	3,500	1,500
–	–	–	–	500	(500)
911,000	904,400	6,600	–	–	–
–	–	–	1,629,000	1,734,400	(105,400)
911,000	**904,400**	**6,600**	**1,634,000**	**1,738,400**	**(104,400)**
242,000	**174,600**	**(67,400)**	**(688,000)**	**(731,100)**	**(43,100)**
–	–	–	191,000	196,900	5,900
1,277,000	1,276,000	(1,000)	437,000	491,200	54,200
(1,506,000)	(1,461,800)	44,200	(18,000)	(26,600)	(8,600)
(229,000)	**(185,800)**	**43,200**	**610,000**	**661,500**	**51,500**
$ 13,000	**$ (11,200)**	**$ (24,200)**	**$ (78,000)**	**$ (69,600)**	**$ 8,400**

Combined Statement of Revenues, Expenses and Changes in Equity

EXHIBIT D

NONEXPENDABLE TRUST FUNDS,
STATE ADMINISTERED RETIREMENT SYSTEMS
AND PUBLIC BENEFIT CORPORATIONS

Year Ended March 31, 1986
(Amounts in thousands)

	Fiduciary Fund Types		Proprietary Fund Type
	Nonexpendable Trust	State Administered Retirement Systems	Public Benefit Corporations
REVENUES:			
Charges for services	$ –	$ –	$ 4,032,284
Financing income	–	–	1,033,718
Investment earnings	–	6,806,027	809,661
Contributions to pension plans	–	2,347,473	–
State subsidies and grants	–	–	746,742
City/county subsidies and grants	–	–	901,490
Federal grants	2,564	–	347,652
Miscellaneous	42,195	–	271,068
Total revenues	**44,759**	**9,153,500**	**8,172,615**
EXPENSES:			
Operations	6,949	45,898	6,119,064
Depreciation and amortization	–	–	337,691
Interest	–	–	1,514,324
Retirement benefits	–	1,805,482	–
Total expenses	**6,949**	**1,851,380**	**7,971,079**
Excess of revenues over expenses	37,810	7,302,120	201,536
Equity at beginning of year	243,275	39,829,046	5,308,623
Other equity changes	–	–	694,213
Equity at end of year	**$ 281,085**	**$ 47,131,166**	**$ 6,204,372**

See accompanying notes to combined financial statements.

Combined Statement of Changes in Financial Position

EXHIBIT E

NONEXPENDABLE TRUST FUNDS,
STATE ADMINISTERED RETIREMENT SYSTEMS
AND PUBLIC BENEFIT CORPORATIONS

Year Ended March 31, 1986
(Amounts in thousands)

	Fiduciary Fund Types		Proprietary Fund Type
	Nonexpendable Trust	State Administered Retirement Systems	Public Benefit Corporations
SOURCES OF CASH AND MARKETABLE SECURITIES:			
Operations:			
Excess of revenues over expenses	$ 37,810	$ 7,302,120	$ 201,536
Items not requiring (providing) cash and marketable securities:			
Depreciation and amortization	–	–	337,691
Other	–	–	41,856
Total sources of cash and marketable securities from operations	**37,810**	**7,302,120**	**581,083**
Proceeds from issuance of bonds	–	–	3,763,070
Proceeds from issuance of notes	–	–	316,281
Principal collections on loans and leases receivable	–	–	407,656
Capital contributions	–	–	616,168
Increase in accounts payable	–	–	5,117
Increase in pension contributions payable	–	–	89,888
Increase in accrued liabilities	–	–	653,103
Increase in due to other funds	5	–	–
Increase in deferred revenues	–	–	82,724
Proceeds from other long-term liabilities	–	–	78,697
Decrease in other assets	571	102,898	–
Other	–	–	68,080
Total cash and marketable securities provided	**38,386**	**7,405,018**	**6,661,867**
USES OF CASH AND MARKETABLE SECURITIES:			
Acquisition of fixed assets	–	–	1,349,464
Repayment of bonds	–	–	654,756
Repayment of notes	–	–	152,379
Decrease in accrued liabilities	10	6,844	–
Repayment of other long-term liabilities	–	560	7,493
Decrease in accounts payable	747	–	–
Loans and leases receivable advanced	–	–	1,183,066
Increase in other receivables	996	19,008	148,582
Increase in other assets	–	–	76,427
Net increase in investments	–	7,764,771	–
Other	–	–	621
Total cash and marketable securities used	**1,753**	**7,791,183**	**3,572,788**
Net increase (decrease) in cash and marketable securities	36,633	(386,165)	3,089,079
Cash and marketable securities at beginning of year	130,854	1,823,782	8,433,864
Cash and marketable securities at end of year	**$ 167,487**	**$ 1,437,617**	**$ 11,522,943**

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements

March 31, 1986

Note 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

The combined financial statements include all funds and account groups of the State of New York (the "State") as well as agencies, boards, commissions, public benefit corporations and other organizational entities for which the State has oversight responsibility and are consequently determined to be includable in the State's financial reporting entity.

The combined financial statements have been prepared primarily from accounts maintained by the State Comptroller. Additional data has been derived from reports prescribed by the State Comptroller and prepared by State departments, agencies, public benefit corporations and other entities based on independent or subsidiary accounting systems maintained by them.

The State records its transactions in the fund types and account groups described below. Transactions between funds within a fund type, if any, have been eliminated.

Governmental Fund Types:

General—is the general operating fund of the State and is used to account for all financial transactions except those required to be accounted for in another fund. The routine operations of the State University of New York (SUNY) and of the senior colleges of the City University of New York (CUNY) are included in the General Fund (CUNY based on its June 30, 1985 fiscal year).

Special Revenue—is used to account for the proceeds of specific revenue sources (other than debt service, expendable trust or major capital projects) such as Federal grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either the State Legislature or outside parties.

Debt Service—is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term obligations. Debt service related activities of the SUNY and CUNY Construction Funds and the Facilities Development Corporation are included in the Debt Service Funds. (CUNY Construction Fund based on its June 30, 1985 fiscal year).

Capital Projects—is used to account for the financial resources used for acquisition or construction of major state-owned capital facilities and for capital assistance grants to local governments.

Account Groups:

General Fixed Assets Account Group—is used to account for general fixed assets of the State exclusive of assets held by public benefit corporations.

General Long-term Obligations Account Group—is used to account for long-term obligations of the State including bonds, obligations under lease/purchase and other financing agreements, pension contributions and other long-term obligations exclusive of liabilities of public benefit corporations.

Fiduciary Fund Types:

Trust and Agency—includes Expendable and Nonexpendable Trust Funds and Agency Funds and are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments.

State Administered Retirement Systems—presents the three State administered retirement systems for which the State has oversight responsibility. The accounts of these systems are derived from their annual financial statements as follows:

System	Year End
Policemen's and Firemen's Retirement System	March 31, 1986
Employees' Retirement System	March 31, 1986
Teachers' Retirement System	June 30, 1985

An explanation of the basis of accounting and additional information about each of the systems is provided in Note 13.

Proprietary Fund Type—Public Benefit Corporations:

The accounts of public benefit corporations, public authorities, private not-for-profit corporations and similar entities (hereinafter called public benefit corporations) in the accompanying combined financial statements are derived from the most recently issued annual financial statements and are presented as the Proprietary Fund Type. The inclusion of these entities in the State's combined financial statements reflects the oversight role exercised by the State, but does not affect their separate legal standing. Oversight is defined to include criteria such as appointment of the board, designation of management, scope of public service and the ability to significantly influence operations.

The State has oversight responsibility for one authority, the Municipal Assistance Corporation for the City of New York, that is not included in the combined financial statements. It is excluded because it is considered an integral part of the financing of the City of New York and is included in the City's combined financial statements.

SUNY and CUNY have oversight responsibility for the operations of numerous auxiliary service corporations located at their various campuses. Assets and revenues of these corporations, which are not significant in total, are excluded from the combined financial statements.

Additional information about public benefit corporations, including an explanation of the entities included and the basis of accounting, is provided in Note 14.

b. Basis of Accounting

Governmental Fund Types and Expendable Trust Funds are accounted for on the modified accrual basis of accounting. Revenues (receivables) are recorded in the accounting period that they become both measurable and available. Tax revenues are recorded by the State as taxpayers earn income (personal income, general business and other taxes), as sales are made (consumption and use taxes) and as cash is received (miscellaneous taxes); net of estimated overpayments (refunds). Receivables not expected to be collected within the next twelve months are recorded as deferred revenues. Expenditures and related liabilities are recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next twelve months, except for vacation leave and interest on general long-term obligations which are recorded when paid and certain pension contributions. The portion of the liabilities which are expected to be paid beyond twelve months is recorded in the General Long-term Obligations Account Group except for certain pension contributions which are being paid over the next 17 years (as explained further in Note 13).

Nonexpendable Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and are generally accounted for on the cash basis.

Public benefit corporations predominantly are accounted for on the accrual basis of accounting.

c. Cash and Marketable Securities

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally-stipulated investments which are reported at cost which approximates market value. Included in cash and marketable securities are non-interest bearing compensating balances of $193.6 million. Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest bearing accounts or other legally-stipulated investments.

d. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. Taxes receivable represent amounts owed by taxpayers related to the 1985 calendar year and the first quarter of the 1986 calendar year, including assessments for underpayments, penalties and interest. Due from Federal government represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs. Other receivables represent amounts owed to the State, including lottery revenues, patient and tuition fees, and student loans.

e. Marketable Securities Held in Lieu of Retainage

The State Comptroller is authorized to accept and hold certain securities from contractors as collateral in lieu of retainage. These securities are recorded at market value and are held in trust by the State Comptroller until satisfactory completion of the contract. Interest earned on these securities accrues to the contractors.

f. Fixed Assets

The State owns extensive fixed assets, consisting of: (1) land in urban centers, rural areas, and forest preserves; (2) buildings which house State offices, hospitals and educational facilities; and (3) equipment used in construction work, hospitals, offices, etc. Fixed assets in the General Fixed Assets Account Group are reported at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The amounts recorded in the General Fixed Assets Account Group reflect only those assets for which historical cost data has been maintained. The amounts presented are not intended to represent all of the State's general fixed assets. General fixed assets are not depreciated. The State's infrastructure (e.g. roads, bridges, dams, sidewalks, monuments, etc.) are not presented in the combined financial statements except for those recorded by public benefit corporations (see Note 14).

g. Tax Refunds Payable

Tax refunds payable represent amounts owed to taxpayers related to the 1985 calendar year and the first quarter of the 1986 calendar year. These amounts are recorded as a reduction of tax revenues.

h. Long-term Obligations

The amounts reported in the General Long-term Obligations Account Group include the State's general obligation bonds, obligations under lease/purchase and other financing agreements, pension contributions and other long-term liabilities including vacation leave, litigation, disallowances, medicaid (State and Federal share), workers' compensation and other health insurance related liabilities pertaining to the governmental funds.

i. Compensated Absences

The State records vacation leave as an expenditure when paid. The estimated accrued liability at March 31, 1986 ($459 million) is recognized in the General Long-term Obligations Account Group. Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 40 days. Employees also earn sick leave credits which generally do not vest. The estimated contingent liability for sick leave credits is $1.3 billion.

j. Lease Accounting

The construction of certain State office buildings, campus facilities, and other public facilities have been financed through

bonds and notes issued by public benefit corporations or local governments pursuant to lease/purchase agreements with the State (see Note 7).

These lease/purchase contracts are capital leases for which the State's rental payments over the duration of the agreements constitute long-term liabilities. The amount included in obligations under lease/purchase and other financing agreements consists of total future principal payments and equals the outstanding balance of the related bonds and notes.

k. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Funds and is presented as a reserve for encumbrances. These committed amounts will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

l. Reserve for Tax Stabilization

Pursuant to law, receipts in excess of disbursements of the Local Assistance and State Purposes Accounts not otherwise appropriated are required to be transferred to the Tax Stabilization Reserve Fund at the end of each fiscal year. These amounts may be borrowed by these two accounts temporarily and repaid within the same fiscal year. They may also be borrowed to cover an operating deficit at year end. Generally, these loans must be repaid within six years in no less than three equal annual installments. The amount reported represents cash of $152.6 million and $48.6 million of unpaid accumulated borrowings as of March 31, 1986.

m. Reserve for Education Accumulation

For the 1985-86 fiscal year the State appropriated $191 million to provide an offset for the increase in accrued aid for education. These funds will be available for payment of accrued education aid during the first quarter of the 1986-87 fiscal year.

n. Designated Fund Balance

The amounts shown as unreserved—designated in the Special Revenue Funds primarily represent equity generated from lottery operations, tax collections earmarked to aid mass transportation authorities and certain Federal revenues, which will be expended upon legislative authorization. The amounts shown as unreserved-designated in the Debt Service Funds substantially represent the accumulation of revenues generated from the operations of certain higher education and mental health and retardation facilities in excess of debt service and rental reserve requirements. A portion of this equity is available for transfer to the General Fund upon legislative authorization.

o. Post-retirement Benefits

In addition to providing pension benefits, the State provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The State recognizes the cost of providing health insurance by recording its share of insurance premiums ($125.1 million for 73,092 retirees and their dependents) as an expenditure in the General Fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year $6.1 million was paid on behalf of 2,236 retirees and recorded as an expenditure in the General Fund.

p. Deferred Compensation

The State and other participating public jurisdictions offer their employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all employees, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are solely the property and rights of the employer, subject only to the claims of the employer's general creditors. Participants' rights under the Plan are equal to those of general creditors of the employer in an amount equal to the fair market value of the deferred account for each participant. The State has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use Plan assets to satisfy future claims of the general creditors. Of the $38 million in the plan at March 31, 1986 (reported within the Agency Funds), $32 million was applicable to the State while the remaining $6 million represents the assets of the other jurisdictions participating in the plan.

q. Reclassifications

The presentation of certain financial transactions differs from the presentation of such items in 1985. The most significant of these reclassifications are among the categories within grants to local governments, and between non-personal service costs and other fringe benefits and other programs.

r. Total (Memorandum Only) Column

The total column in Exhibit B is captioned "Total (Memorandum Only)" to indicate that it is presented only to facilitate financial analysis. Data in the column is not the equivalent of consolidated financial information.

Note 2
TAXES RECEIVABLE

Taxes receivable at March 31, 1986 are summarized as follows (amounts in thousands):

	General	Special Revenue	Trust and Agency
Personal income	$ 2,138,428	$ –	$ –
General business	251,765	30,114	–
Consumption and use	434,948	10,239	–
Unemployment	–	–	765,853
Other	199,024	–	–
Total	**$ 3,024,165**	**$ 40,353**	**$ 765,853**

Note 3
OTHER RECEIVABLES

Other receivables at March 31, 1986 are summarized as follows (amounts in thousands):

	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
Miscellaneous receivables:					
Lottery	$ –	$ 24,085	$ –	$ –	$ –
Tuition and fees	–	–	27,198	–	–
Patient fees	–	–	416,412	–	–
Student loans	–	–	–	–	148,309
Other	72,713	2,072	18,754	95	125,171
	72,713	**26,157**	**462,364**	**95**	**273,480**
Allowance for uncollectibles	(4,374)	–	(229,898)	–	(35,208)
	68,339	**26,157**	**232,466**	**95**	**238,272**
Appropriated loans:					
Assessments	66,506	–	–	26,267	–
Due from local governments	1,928	–	–	708	–
Due from public benefit corporations	71,962	–	–	302,481	–
	140,396	**–**	**–**	**329,456**	**–**
Allowance for uncollectibles	(131,827)	–	–	(302,893)	–
	8,569	**–**	**–**	**26,563**	**–**
Total	**$ 76,908**	**$ 26,157**	**$ 232,466**	**$ 26,658**	**$ 238,272**

Appropriated loans represent monies appropriated in the form of loans or advances from the General Fund to finance

agency or public benefit corporations' operations, or from various Capital Projects Funds to finance construction or debt service of public benefit corporations or local governments. The underlying appropriation bills provide that amounts will be repaid pursuant to repayment agreements with public benefit corporations or local governments. The loans are reported net of estimated uncollectible amounts, and any amounts expected to be collected beyond the next twelve months are reported as a reservation of fund balance.

In addition, the State has expended funds for the Urban Development Corporation ($351 million) and the Housing Finance Agency ($40 million) which, although not made as appropriated loans, are nevertheless subject to repayment to the State pursuant to agreement with the State Budget Director. Since enforcement of collectibility is uncertain, these amounts are not reported in the accompanying financial statements.

Note 4
PAYABLE TO LOCAL GOVERNMENTS

a. Governmental Fund Types

At March 31, 1986 the State was liable to various municipalities and school districts for unpaid State aid for education ($2.176 billion) and other purposes ($1.347 billion). The liability for aid to education represents amounts earned by school districts ratably over the school districts' fiscal year in excess of amounts paid prior to March 31, 1986. This liability was appropriated by the State Legislature for payment during April, May and June of 1986. The need to liquidate this liability within the first three months of the ensuing fiscal year contributes significantly to the State's short-term borrowing needs each Spring (see Note 5).

b. Trust and Agency Funds

At March 31, 1986 the State, in its fiduciary capacity to collect the local share of sales tax revenues and various escrow funds, owed $982 million to various local governments.

Note 5
SHORT-TERM FINANCING

Notes, including commercial paper and bond anticipation notes, are issued by the State in anticipation of the proceeds of voter-authorized bond issues. These notes which contribute to the accumulated deficit in the Capital Projects Funds are reported as liabilities and are not recognized as a financing source to offset capital construction expenditures. Notes may be issued for a term not exceeding one year, but may be renewed as long as their cumulative term will not exceed either two or five years, depending on the purpose of the notes. The notes may legally be redeemed only from the proceeds of permanent bonds or reissued notes. Notes outstanding at March 31, 1986 were issued at rates of 4.625% to 6.625% and included $147.9 million of commercial paper.

Changes in notes during the year (not including renewals) were as follows (amounts in thousands):

	Outstanding April 1, 1985	Issued	Redeemed	Outstanding March 31, 1986
Environmental quality protection—water	$ 17,925	$ 20,000	$ —	$ 37,925
Housing—urban renewal	—	340	—	340
Parks and recreation land acquisition	400	600	500	500
Pure waters	9,060	11,000	—	20,060
Transportation capital facilities:				
Mass transportation	—	1,500	—	1,500
Aviation	5,910	500	500	5,910
Rebuild New York—transportation renewal	85,005	5,500	1,500	89,005
Total	**$ 118,300**	**$ 39,440**	**$ 2,500**	**$ 155,240**

The State issues tax and revenue anticipation notes in bearer form annually, at the inception of each fiscal year. These notes are issued primarily because the State makes almost one-half of its payments of grants to local governments, and a substantial portion of the personal income tax refunds during the first quarter of the fiscal year while tax and other revenues are received more ratably over the fiscal year. In April 1986 the State issued an aggregate amount of $3.5 billion. The notes were issued at interest rates ranging from 4.55% to 4.75%, and are payable serially in September 1986, December 1986, and March 1987. The notes are general obligations of the State and have the full faith and credit of the State. The principal and interest will be paid from taxes and miscellaneous revenues of the General Fund. The State Comptroller is required by statute to impound sufficient funds in a separate bank account to pay principal and interest on the notes at maturity. Similarly, tax and revenue anticipation notes of $4.3 billion were issued in April 1985 and repaid by March 31, 1986. The amount borrowed in April 1986 was reduced from $4.3 billion to $3.5 billion primarily due to the passage of Chapter 33, Laws of 1986 which provides for the State to pay retirement contributions in the last quarter rather than the first quarter of each fiscal year. This change in the payment date is further discussed in Note 13.

Note 6
BONDS PAYABLE

General obligation bonds are backed by the full faith and credit of the State and must be repaid in equal annual installments beginning not more than one year after issuance of such bonds. Changes for the year were as follows (amounts in thousands):

Purpose	Outstanding April 1, 1985	Issued	Redeemed	Outstanding March 31, 1986
Grade crossing elimination (2.5%-4.0%)	$ 3,000	$ –	$ 1,100	$ 1,900
Environmental quality protection:				
Air (5.1%-12.5%)	55,692	1,500	5,092	52,100
Land (5.1%-12.5%)	118,925	3,875	8,545	114,255
Wetlands (5.1%-6.2%)	2,003	–	376	1,627
Water (5.0%-12.5%)	237,547	31,125	13,044	255,628
Higher education (2.0%-6.75%)	104,808	–	7,928	96,880
Highway construction (3.4%-4.2%)	46,800	–	20,500	26,300
Housing:				
Low cost (1.0%-7.0%)	465,818	–	19,054	446,764
Middle income (3.25%-10.0%)	121,223	–	1,949	119,274
Urban renewal (6.3%-10.0%)	9,725	–	955	8,770
Mental health construction (4.3%-6.0%)	12,800	–	5,400	7,400
Outdoor recreation (3.0%-12.5%)	86,765	–	9,450	77,315
Parks and recreation land acquisition (5.0%-12.5%)	9,790	–	930	8,860
Pure waters (2.0%-12.5%)	528,935	12,000	27,200	513,735
Rail preservation (4.5%-12.5%)	180,525	5,000	8,495	177,030
Transportation capital facilities:				
Highways (2.0%-7.0%)	435,500	–	60,250	375,250
Mass transportation (2.0%-12.5%)	696,105	–	40,305	655,800
Aviation (3.0%-12.5%)	123,150	–	6,905	116,245
Energy conservation through improved transportation (6.6%-12.5%)	403,925	14,000	26,380	391,545
Rebuild New York—transportation renewal:				
Highways, parkways, bridges (7.25%-10.6%)	35,700	83,500	3,570	115,630
Ports, waterways (7.0%-10.6%)	6,000	9,000	400	14,600
Rapid transit, rail, aviation (7.6%-10.6%)	3,000	–	100	2,900
Total	**$ 3,687,736**	**$ 160,000**	**$ 267,928**	**$ 3,579,808**

Debt Service expenditures related to general obligation bonds during the year were $502 million.

Debt service requirements for general obligation bonds in future years, which are financed by transfers from the General Fund, are as follows (amounts in thousands):

Year	Principal	Interest	Total
1987	$ 261,146	$ 230,268	$ 491,414
1988	258,690	212,926	471,616
1989	243,239	195,797	439,036
1990	235,934	179,639	415,573
1991	229,365	164,252	393,617
Thereafter	2,351,434	1,333,566	3,685,000
Total	**$ 3,579,808**	**$ 2,316,448**	**$ 5,896,256**

The total amount of long-term general obligation bonds authorized but not issued at March 31, 1986 was $1.915 billion.

Note 7

OBLIGATIONS UNDER LEASE/PURCHASE AND OTHER FINANCING AGREEMENTS

The State has entered into lease/purchase agreements with certain public benefit corporations, municipalities and other entities for various of its capital facilities. Under these agreements construction costs are initially paid by the State from appropriations (reported as capital construction expenditures in the Capital Projects Funds). These appropriations are then repaid to the State from the proceeds of bonds issued by the public benefit corporations or other entities (reported as proceeds from financing agreements in the Capital Projects Funds). The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid.

The State has also entered into contractual obligation financing arrangements (also referred to as "service contract bonds") with the Metropolitan Transportation Authority ($883 million) and Urban Development Corporation ($55 million). The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by these entities. The public benefit corporations retain title to the assets acquired with the bond proceeds.

During the year the State entered into various arrangements for the refinancing and purchase of equipment through the issuance of certificates of participation. These certificates are issued through a trustee and the State is responsible for payments to the trustee that approximate the interest and principal payments made by the trustee to the certificate holders. The State maintains custody and use of the equipment, however, title is held by the trustees as security for the certificate

holders, until such time as the certificates are fully paid. Proceeds from the issuance of these certificates and the related capital expenditures are accounted for in the same manner as lease/purchase agreements.

Changes for the year were as follows (amounts in thousands):

	Outstanding April 1, 1985	Additions	Payments	Outstanding March 31, 1986
Public Benefit Corporations (see Note 14):				
Housing Finance Agency	$ 2,647,875	$ 39,475	$ 86,495	$ 2,600,855
Dormitory Authority	1,153,000	–	26,955	1,126,045
Thruway Authority	30,000	161,310	30,000	161,310
Triborough Bridge and Tunnel Authority	375,000	68,700	6,240	437,460
Metropolitan Transportation Authority	830,585	56,685	4,680	882,590
Urban Development Corporation	55,585	294,903	153	350,335
Total PBCs	**5,092,045**	**621,073**	**154,523**	**5,558,595**
Other Entities:				
County of Albany	518,100	–	45,090	473,010
Other municipalities	30,815	–	2,915	27,900
Retirement systems	2,211	–	1,166	1,045
Total PBCs and other entities	**5,643,171**	**621,073**	**203,694**	**6,060,550**
Certificates of Participation	–	118,260	276	117,984
Total	**$ 5,643,171**	**$ 739,333**	**$ 203,970**	**$ 6,178,534**

Debt service expenditures for the aforementioned obligations during the year were $593 million. These expenditures are financed primarily by the revenues reported in the Debt Service Funds along with transfers of medicaid monies from the Special Revenue Funds (see Note 8).

Certain of the underlying bond indentures require the maintenance of a rental reserve, usually amounting to one year of debt service. Such amounts ($323 million) are reported as cash of the appropriate Debt Service Fund with a corresponding reservation of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligations financing agreements including interest at 3.25% to 14.25% (amounts in thousands):

Fiscal Year	Principal	Interest	Total
1987	$ 197,693	$ 373,746	$ 571,439
1988	201,615	354,493	556,108
1989	210,417	352,391	562,808
1990	219,286	349,868	569,154
1991	220,287	346,851	567,138
Thereafter	5,011,252	5,521,738	10,532,990
Total	**$ 6,060,550**	**$ 7,299,087**	**$ 13,359,637**

Debt service requirements for certificates of participation, which are financed by transfers from the General Fund, including interest at 5.00% to 8.00%, are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Total
1987	$ 15,730	$ 8,604	$ 24,334
1988	15,838	7,183	23,021
1989	14,690	6,209	20,899
1990	14,128	5,240	19,368
1991	13,873	4,398	18,271
Thereafter	43,725	7,913	51,638
Total	**$ 117,984**	**$ 39,547**	**$ 157,531**

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year ended March 31, 1986 under such operating leases totaled $198 million and were financed primarily from the General Fund. Following is a summary of the future minimum rental commitments under noncancellable real property and equipment leases with terms exceeding one year (amounts in thousands):

Fiscal Year	
1987	$ 100,234
1988	87,991
1989	71,199
1990	59,418
1991	50,763
Thereafter	96,699
Total	**$ 466,304**

Note 8
INTERFUND TRANSACTIONS

a. Operating Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund which utilizes them. The more significant transfers include the annual appropriation of General Fund revenues to Capital Projects Funds ($477 million) and to Debt Service Funds ($583 million), and the transfer of excess revenues of Debt Service Funds to the General Fund in support of certain higher education and mental health and retardation expenditures ($1.438 billion) and in support of CUNY operations ($148 million). The latter transfers are made after first satisfying debt service and rental reserve requirements. Operating transfers from Special Revenue Funds to Debt Service Funds represent the Federal share of medicaid payments for recipients residing in state-operated mental health and retardation facilities ($693 million) and transfers from Special Revenue Funds to the General Fund represent recovery of costs incurred administering Federal programs ($123 million). Transfers from the Capital Projects Funds ($80 million) and the General Fund ($82 million) to the Debt Service Funds represent the State funding of debt service on obligations incurred for construction of various capital facilities of the Metropolitan Transportation Authority and CUNY, respectively. In addition, a transfer from the General Fund ($128 million) to the Special Revenue Funds represents additional State funding of education aid due to lottery revenues being less than anticipated.

b. Due From/To Other Funds

Interfund receivables and payables generally reflect temporary loans, billings for services provided and recovery of fringe benefits. The Special Revenue Funds reflect a $59 million interfund receivable which represents loans to cover temporary cash shortages in various accounts of the General Fund. The Trust and Agency Fund includes a $57 million interfund receivable representing the recovery of fringe benefit costs relating primarily to federal funds and various programs of the General Fund. The remaining interfund payable in the Special Revenue Funds generally relates to the reimbursement of expenditures initially recorded in the General Fund.

Note 9
BUDGETARY BASIS REPORTING

The State Constitution requires the Governor to submit annually an Executive Budget which contains a complete plan of expenditures for the ensuing fiscal year and all monies and revenues estimated to be available therefore accompanied by bills containing all recommended appropriations or reappropriations and any proposed legislation necessary to provide monies and revenues sufficient to meet such proposed expenditures. Included in the proposed appropriation bills is a provision for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget includes a cash basis financial plan, which must be in balance, i.e, disbursements must not exceed receipts. It also contains a five year financial projection for governmental funds and a five year capital plan. A GAAP basis financial plan for the ensuing fiscal year is presented for informational purposes.

The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved or modified. The Legislature may also enact a supplemental appropriation bill and numerous special appropriation bills. When the Legislature convenes in January it generally enacts a deficiency appropriation bill which authorizes additional unforeseen expenditures for the then current fiscal year.

An appropriation is a statutory authorization against which expenditures may be made during a specific fiscal year. An appropriation represents the maximum spending authority and is not a mandate to spend. Generally an appropriation lapses at the end of the fiscal year except for appropriations for which obligations have been incurred, in which case the appropriation lapses the following September 15. The funds to be appropriated are determined in accordance with constitutional and statutory requirements.

Once the appropriation and revenue bills become law, the cash basis and the GAAP basis financial plans are revised by the Governor to reflect legislative actions. The cash basis financial plan serves as the basis for the administration of the State's finances during the fiscal year. Furthermore, the State Comptroller and Director of the Budget must certify that it is in balance to permit the annual issuance of the tax and revenue anticipation notes (see Note 5). Accordingly, the cash basis financial plan is generally considered to be the State's budget and the appropriate plan to present in Exhibit C. The financial plans are updated quarterly by the Governor or more frequently if necessary. The Governor is required to provide a report to the Legislature showing a comparison of the actual year to date results with the latest revised plans providing an explanation of any major deviations and any significant changes to the financial plans.

The annual budget cycle normally begins during the summer prior to the commencement of the fiscal year with the State departments developing their budget requests for submission to the Division of the Budget in September. During

the Fall the departmental requests are analyzed by the Division of the Budget, formal budget hearings are held and major policy decisions are made by the Governor. The Executive Branch phase of the process culminates in the submission of the Executive Budget to the Legislature in late January. The Legislative fiscal committees review the Executive Budget, the Legislature holds public hearings and generally the appropriation bills are enacted by April 1.

The following presents a comparison of the State's cash basis financial plan as originally adopted by the Governor in April 1985 with subsequent modifications by the Governor to reflect changes during the fiscal year (amounts in millions):

	April 1985	Modifications	January 1986
GENERAL			
Receipts:			
Taxes	$ 21,422	$ 367	$ 21,789
Miscellaneous	1,098	(65)	1,033
Federal grants	78	9	87
Total receipts	**22,598**	**311**	**22,909**
Disbursements:			
Grants to local governments	13,773	302	14,075
Departmental operations	5,786	67	5,853
General state charges	1,665	21	1,686
Debt service	224	(6)	218
Total disbursements	**21,448**	**384**	**21,832**
Other financing sources (uses):			
Transfers from other funds	134	4	138
Transfers to other funds	(1,233)	69	(1,164)
Net other financing sources (uses)	**(1,099)**	**73**	**(1,026)**
Receipts and other financing sources over (under) disbursements and other financing uses	**$ 51**	**$ —**	**$ 51**
SPECIAL REVENUE			
Receipts:			
Taxes	$ 545	$ (1)	$ 544
Miscellaneous	1,137	67	1,204
Federal grants	8,055	(32)	8,023
Total receipts	**9,737**	**34**	**9,771**
Disbursements:			
Grants to local governments	7,547	206	7,753
Departmental operations	2,754	(252)	2,502
General state charges	155	10	165
Capital projects	9	6	15
Total disbursements	**10,465**	**(30)**	**10,435**
Other financing sources (uses):			
Transfers from other funds	1,728	(76)	1,652
Transfers to other funds	(826)	12	(814)
Net other financing sources (uses)	**902**	**(64)**	**838**
Receipts and other financing sources over (under) disbursements and other financing uses	**$ 174**	**$ —**	**$ 174**

	April 1985	Modifications	January 1986
DEBT SERVICE			
Receipts:			
Taxes	$ 26	$ 3	$ 29
Miscellaneous	1,144	(32)	1,112
Federal grants	12	—	12
Total receipts	**1,182**	**(29)**	**1,153**
Disbursements:			
Debt service	924	(13)	911
Other financing sources (uses):			
Transfers from other funds	1,284	(7)	1,277
Transfers to other funds	(1,533)	27	(1,506)
Net other financing sources (uses)	**(249)**	**20**	**(229)**
Receipts and other financing sources over (under) disbursements and other financing uses	**$ 9**	**$ 4**	**$ 13**
CAPITAL PROJECTS			
Receipts:			
Miscellaneous	$ 445	$ (53)	$ 392
Federal grants	667	(113)	554
Total receipts	**1,112**	**(166)**	**946**
Disbursements:			
Departmental operations	5	—	5
Capital projects	1,921	(292)	1,629
Total disbursements	**1,926**	**(292)**	**1,634**
Other financing sources (uses):			
Bond proceeds, net	306	(115)	191
Transfers from other funds	466	(29)	437
Transfers to other funds	(19)	1	(18)
Net other financing sources (uses)	**753**	**(143)**	**610**
Receipts and other financing sources over (under) disbursements and other financing uses	**$ (61)**	**$ (17)**	**$ (78)**

The modifications indicated above generally reflect revisions to projections based on actual receipts and disbursements for interim periods. The primary revisions are described below:

- General Fund receipts increased due to higher than anticipated final payments on 1984 personal income tax liabilities, higher than anticipated receipts of sales and other taxes, and a decrease in the estimated impact of the tax reductions implemented in 1985. These increases were offset by a decrease in anticipated receipts from business taxes.
- General Fund disbursements for grants to local governments increased due to higher than anticipated spending for aid to public schools, and for the income maintenance and medical assistance programs.
- Special Revenue Funds disbursements for grants to local governments and departmental operations were revised by a reclassification of the Federal Job Training Partnership Act program and a revision in the allocation of certain administrative costs.
- Capital Projects Funds revisions were primarily the result of slower than anticipated capital spending which reduced the drawdown of Federal monies and slowed the issuance of bonds.

Exhibit C provides a comparison of the estimated data in the revised Financial Plan with the actual results on the cash basis of accounting for appropriated Governmental Fund Types, whereas Exhibit B presents operating results for the Governmental Fund Types in conformity with generally

accepted accounting principles. The following presents a reconciliation of the budgetary cash basis operating results per Exhibit C with the GAAP based operating results per Exhibit B (amounts in thousands):

	General	Special Revenue	Debt Service	Capital Projects
Receipts and other financing sources over (under) disbursements and other financing uses per Exhibit C	$ 50,900	$ 396,800	$ (11,200)	$ (69,600)
Entity differences:				
Receipts and other financing sources over disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	87,952	6,055	20,473	58,731
Perspective difference:				
Receipts and other financing sources over disbursements and other financing uses of the Earmarked Revenue Account which is treated as a Special Revenue Fund in the financial plan and part of the General Fund for GAAP reporting	226,321	(226,321)	–	–
Basis of accounting differences:				
Net increase (decrease) in taxes receivable	50,228	(4,267)	–	–
Net increase (decrease) in due from Federal government	–	145,525	–	(8,549)
Net increase (decrease) in other revenue and asset accruals	19,824	4,022	59,540	(15,627)
Net (increase) in tax refunds payable	(227,464)	(2,914)	–	–
Net (increase) decrease in payables to local governments	33,605	(21,597)	–	–
Net (increase) in other payables and accrued liabilities	(85,292)	(127,788)	(1,460)	(57,164)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses per Exhibit B	**$ 156,074**	**$ 169,515**	**$ 67,353**	**$ (92,209)**

The entity differences relate to the presentation of CUNY and its related entities, the inclusion of certain funds considered to be proprietary funds in the budget process, and the inclusion of certain sole custody bank accounts. Additionally, the cash basis financial plan presents the State's subsidy of CUNY as grants to local governments ($442 million) whereas this amount in addition to the remainder of CUNY operations are presented as operation of State departments and agencies on Exhibit B.

The perspective difference relates to the Earmarked Revenue Account which is presented below on a cash basis (amounts in thousands):

RECEIPTS:	
Federal grants	$ 14,349
Miscellaneous	472,321
	486,670
DISBURSEMENTS:	
Grants to local governments	6,523
Departmental operations	1,647,575
General state charges	44,816
	1,698,914
OTHER FINANCING SOURCES (USES):	
Transfers from other funds	1,442,881
Transfers to other funds	(4,316)
	1,438,565
Receipts and other financing sources over disbursements and other financing uses	**$ 226,321**

Note 10

COMMITMENTS AND CONTINGENCIES

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the combined financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees. Disallowances as a result of these audits may become liabilities of the State. The State has recorded liabilities of approximately $166 million based on an evaluation of pending disallowances at March 31, 1986. The portion of the liability expected to be paid in the next twelve months, $29 million, is recorded in the General Fund and the remainder is recorded in the General Long-term Obligations Account Group.

Generally the State does not insure its buildings, contents or related risks but has partial insurance coverage on State-owned automobiles for bodily injury and property damages, fidelity insurance on State employees and malpractice insurance on State University teaching hospitals. Routine uninsured losses are recorded as expenditures in the General Fund as paid, while significant uninsured losses usually are the result of litigation which is further discussed in Note 12.

Workers' compensation coverage is provided on a self insurance basis with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund the State pays only what is necessary to fund claims. Based on actuarial calculations as of the most recent valuation, July 1985, the State is currently liable for unfunded claims totaling approximately $168 million. The portion expected to be paid in the next twelve months, $43 million, is reported as a liability of the General Fund. The remaining amount, $125 million, is reported in the General Long-term Obligations Account Group.

In 1977-78, the State required that reserve funds held by insurance companies which underwrite the State employee health insurance programs be paid to the General Fund. The State is liable to replenish these reserve funds if needed to pay insured benefits or if the contracts with the insurance companies are terminated. Accordingly, based on actuarial calculations, the State has recorded a liability of $119 million which is reported in the General Long-term Obligations Account Group.

The State Abandoned Property Law requires deposit of certain defined and unclaimed assets into a State-managed Abandoned Property Fund (Agency Fund). The statute provides that whenever the Abandoned Property Fund exceeds $750,000, the excess must be remitted to the General Fund where it is reported as miscellaneous revenues. The amounts remitted during the year approximated $146 million. Net collections from inception (1942) to March 31, 1986 of approximately $1.2 billion represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

In fiscal year 1982-83, the State transferred amounts to the General Fund from the State Insurance Fund and from several non-governmental funds. The Legislature must make appropriations annually from the General Fund to cover the State's contingent liability to repay these transfers. Payments from these appropriations will be made only if the affected funds have no other monies available to meet their statutory obligations. To date, no payments from these appropriations have been required. The current appropriation is $397 million.

The New York State Higher Education Services Corporation, a public benefit corporation, was the guarantor of approximately $4.953 billion of outstanding loans made to students by participating lending institutions at March 31, 1986. In the event of default, the United States Department of Education would guarantee 98% of the loans, with the remaining 2% ($99 million) guaranteed by the State.

Note 11

GUARANTEED AND MORAL OBLIGATION DEBT

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the New York State Thruway Authority, the Job Development Authority and the Port Authority of New York and New Jersey to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. Except as now authorized, no further State guaranteed debt may be incurred without voter approval. As of March 31, 1986, a total of $569 million of such State-guaranteed bonds were outstanding (with an additional $351 million authorized but not issued) as follows (amounts in thousands):

Issuer	
Port Authority	$ 88,000
Thruway Authority	220,000
Job Development Authority	261,000
Total	**$ 569,000**

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a "moral obligation" to back up the corporations' credit). Since such "moral obligations" do not constitute full faith and credit obligations of the State, voter approval of such obligations was not obtained.

The State has enacted "capping legislation" which restricts the amount of moral obligation bonds each corporation (other than the Municipal Assistance Corporation) may issue. The cap is set at the amounts of bonds and notes outstanding as of April 1, 1976 plus, within specific dollar limitations, additional bonds and notes required to finance projects then in progress. As moral obligation bonds within the cap are repaid (other than by refunding) the maximum cap is reduced accordingly. Public benefit corporations with no bonds or notes outstanding when this legislation became effective are prohibited from issuing moral obligation debt. This legislation also imposed maximum limitations on lease/purchase financing for certain authorities.

As of March 31, 1986 approximately $12.5 billion in moral obligation bonds were outstanding as follows (amounts in thousands):

Issuer	
Battery Park City Authority	$ 187,000
Dormitory Authority of the State of New York	396,000
New York State Energy Research and Development Authority	6,000
New York State Environmental Facilities Corporation	2,000
New York State Housing Finance Agency	2,525,000
New York State Job Development Authority	2,000
New York State Medical Care Facilities Finance Agency	215,000
New York State Project Finance Agency	217,000
State of New York Mortgage Agency	165,000
United Nations Development Corporation	33,000
Urban Development Corporation	838,000
Municipal Assistance Corporation for the City of New York	7,920,000
Total	**$ 12,506,000**

While the State Legislature is not required to restore any deficiency in a debt service reserve fund, as of March 31, 1986, it had made appropriations pursuant to its "moral obligation" to make up such deficiencies under obligations issued by certain public benefit corporations, notably the Housing Finance Agency (HFA), Urban Development Corporation and Battery Park City Authority. Generally, these amounts are included as appropriated loans receivable. Pursuant to this "moral obligation", the State appropriated and paid $19.6 million during the current year to replenish HFA's debt service reserve funds.

Note 12
LITIGATION

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the constitutionality or the adequacy and effectiveness of a variety of significant social welfare programs primarily involving the State's mental hygiene programs. Adverse judgments in these matters generally would result in injunctive relief coupled with prospective changes in patient care which would require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters, no provision for this potential exposure has been made in the accompanying combined financial statements.

The State is also engaged in a variety of contract and tort claims wherein significant monetary damages are sought. Actions commenced by several Indian nations claim that significant amounts of land were unconstitutionally taken from the Indians in violation of various treaties and agreements during the eighteenth and nineteenth centuries. The claimants seek recovery of approximately five million acres of land as well as compensatory and punitive damages. Significant tort claims have been filed against the State by residents of the "Love Canal" area of Niagara Falls and by individuals involved in the cleanup of the Binghamton State Office Building fire which generally allege negligence on the part of the State regarding chemical contamination of the properties involved.

The State is involved in litigation challenging the procedure by which the Urban Development Corporation issued bonds for the construction of prisons which will ultimately be leased by the State. The plaintiffs allege that this lease/purchase agreement violates the State constitutional prohibition against contracting State debt without a voter referendum, and is an unlawful gift or loan of the State's credit to a public corporation. An adverse judgment on this case would require the State to pay for the construction which has already begun. Additionally, an adverse judgment on this case may affect other lease/purchase and contractual obligation financing arrangements already in existence and may preclude the State from using such vehicles in the future (see Note 7).

In July 1986, the New York State Supreme Court determined that a member who joined the New York State Employees' Retirement System (NYSERS) between July 27, 1976 and December 31, 1976 should be a member of Tier 2 rather than Tier 3. The case is being appealed but if upheld the NYSERS could be required to refund contributions made by affected members and the State could be required to make up the refunded contributions and additional benefit costs through future payments to NYSERS.

With respect to pending and threatened litigation, the State has recorded liabilities of $253 million for awarded and anticipated unfavorable judgments. The portion of the liability expected to be paid within the next twelve months, $64 million, is recorded primarily in the General Fund and the remainder is recorded in the General Long-term Obligations Account Group.

Note 13

STATE ADMINISTERED RETIREMENT SYSTEMS

There are three major State administered retirement systems (collectively, the "Retirement Systems") for employees of the State and its localities (except employees of New York City, essentially all of whom are covered by separate City-sponsored and administered pension plans).

The New York State Employees' Retirement System and the New York State Policemen's and Firemen's Retirement System (jointly, the "Public Employees' Retirement System" or "PERS") are administered by the State Comptroller as sole trustee and provide benefits for most State and local government public employees, excluding teachers. On March 31, 1986 there were approximately 2,600 public employers participating in these systems. Employees of the State constituted about 43% of the members of these systems during the 1985-86 fiscal year. The New York State Teachers' Retirement System ("TRS") is separately administered by a nine-member board, however, the Commissioner of Taxation and Finance is custodian of the assets. Employees of the State constituted approximately 2% of the members of the TRS in its 1984-85 fiscal year.

Funding for the Retirement Systems has traditionally been provided primarily by public employers. However, all members of the New York State Employees' Retirement System and TRS who joined after July 26, 1976 are required to contribute 3% of their salary (see Note 12). Employer contributions to PERS for the year ended March 31, 1986 are expected to be paid on or before June 30, 1987, except for New York State which is explained below under "employer accounting". Employer contributions to TRS for the year ended June 30, 1985 are generally due on or before June 30, 1986.

The Retirement Systems are actuarially funded using the aggregate cost valuation method. Under this method, the unfunded cost of retirement benefits of active members is accrued and funded each year as a level percentage of the estimated future compensation of such members. The aggregate cost valuation method does not develop a separately stated past service liability.

The Actuary employed by PERS calculates credited projected benefits which include the following:

1. Future monthly payments to pensioners who are receiving benefit payments on the valuation date and to beneficiaries, including any optional survivors' benefits.
2. The portion of potential future monthly retirement and disability benefits payable to active members attributable to their service credit as of the valuation date and salary as projected to the benefit payment date plus the pro rata portion of certain death benefits.
3. The potential future monthly service retirement benefits payable to inactive members based on their service credit and salary earned up to the valuation date.

The actuarial present value of credited projected benefits is the amount determined by the Actuary by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest between the valuation date and the expected dates of payment) and the probability of benefit payments (by means of multiple-decrement probability tables for death, disability, retirement and withdrawal).

The State Comptroller, upon the recommendation of the Actuary, adopted certain new actuarial assumptions as of April 1, 1985. The changes from the previous actuarial assumptions were new withdrawal tables and 8% interest (previously 7.5%).

The actuarial assumptions employed as of March 31, 1986 include:

Interest Rate	**8.0%**
Salary scale	
Inflation	5.0%
Productivity	1.0
Merit (approximate)	2.5
Total salary scale	**8.5%**
Social Security Benefits	
Increase in wage base	6.0%
Increase in CPI	5.0
Multiple-decrement tables	
Death	4/1/76-3/31/81
Disability	Systems'
Retirement	experience
Withdrawal	4/1/82-3/31/85
	Systems'
	experience

The actuarial assumptions are based on the presumption of an ongoing plan.

The following summarizes the actuarial present value of credited projected benefits under the previous actuarial assumptions as of March 31, 1985, and under the current assumptions as of April 1, 1985 and March 31, 1986 (amounts in millions):

	Previous assumptions March 31, 1985	Current assumptions April 1, 1985	Current assumptions March 31, 1986
Vested benefits:			
Pensioners and beneficiaries	$ 8,798	$ 8,474	$ 9,369
Members	16,603	15,592	16,661
Nonvested benefits	2,029	1,899	2,154
Total	**$ 27,430**	**$ 25,965**	**$ 28,184**

The TRS in-house Actuary has computed valuations, which include the estimated present value of benefits payable to retired members, beneficiaries and active teachers (related to service rendered prior to the valuation date and service expected to be rendered subsequent to the valuation date by present members). The liabilities, which are unaudited, produced by the actuarial valuations as of June 30, 1984 (the most recent valuation) were $22.6 billion. These actuarial calculations are based upon: (i) estimated future investment earnings projected at 6.75%; (ii) the assumption of an average annual rate of salary increase of 7%; and (iii) mortality and other tables. The report prepared by the TRS Actuary indicates that as of June 30, 1984 present assets, plus investment earnings thereon together with the present value of prospective contributions by employers and employees are sufficient to meet the liabilities.

Both PERS and TRS offer a broad spectrum of plans and benefits. The plans provide service retirement benefits related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. The plans differ as to the qualifying age or the years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributing or noncontributing nature of the plan.

The net assets available for PERS benefits amounted to $33.068 billion as of March 31, 1986. The primary asset, retirement systems investments, is presented at cost or amortized cost, except for PERS common stocks which are presented at market. PERS and TRS investments are presented net of an allowance for potential losses of $8.1 million and $8 million respectively. Investments were comprised of the following (amounts in millions):

	PERS March 31, 1986	TRS June 30, 1985
Government securities	$ 7,802	$ 3,506
Corporate bonds	4,091	2,497
Common stocks	14,217	5,311
Mortgages	2,614	1,594
Real property	34	43
Member loans	—	139
Other	344	20
Total	**$ 29,102**	**$ 13,110**
Estimated market value	**$ 29,372**	**$ 14,298**

PERS assets also include $2.884 billion of accrued employer contributions (including the State) to be paid with respect to the 1984-85 and 1985-86 fiscal years. TRS assets do not include contributions receivable. The remaining receivables generally represent accrued interest and dividends on PERS and TRS investments.

Employer Accounting

As a result of the enactment of Chapter 33, Laws of 1986, employer pension contributions due from the State of New York to PERS for the fiscal years ended March 31, 1986 ($591 million) and March 31, 1985 ($761 million) are now to be amortized over 17 years with the initial payment being due on March 1, 1987. Amortization payments will include interest on the unpaid balance computed at the rate used in actuarial calculations, presently at 8% per year. In addition, beginning in 1987 and for all future years, the State's annual pension contribution related to the then current fiscal year will be paid on March 1. For the fiscal year 1987 and later years this legislation eliminates the lag whereby pension contribution payments from the State were formerly made approximately 15 months after the fiscal year to which the payment applied.

The pension contribution expenditures reported in the governmental funds and the pension liability reported in the General Fund consist of the State's accrued pension contributions to PERS for employees services rendered in fiscal year 1985-86 ($ 591 million) which will be amortized over the next 17 years. Pension contributions to PERS applicable to the year ended March 31, 1985 ($761 million), which will also be amortized over the next 17 years, were reported in the Gen-

eral Long-term Obligations Account Group, at March 31, 1985 and continue to be reported therein (see accounting principle change below). The pension contribution to PERS for fiscal year 1985-86 is significantly less than the contribution for fiscal year 1984-85 due, in part, to the changes in actuarial assumptions previously discussed. The actual reduction of pension contributions that is attributable to the changes in actuarial assumptions is not available.

Approximately 12,000 State employees are members of the Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a privately operated defined contribution retirement plan. The State assumes no liability for this group of TIAA/CREF members other than payment of contributions. The State contributed $51 million to this plan in fiscal 1986 which is reported as other fringe benefits in the General Fund.

The State also makes contributions to the New York City Employees Retirement System (NYCERS), the Teachers Retirement System of The City of New York-Qualified Pension Plan (NYCTRS) and TIAA/CREF on behalf of approximately 11,000 City University of New York Senior College employees. NYCERS and NYCTRS are defined benefit retirement plans which are multi-employer systems primarily for employees of the City of New York. Although the State assumed support of CUNY senior colleges in 1982, employees remained members of NYCERS and NYCTRS. Based on pension expenditures incurred by CUNY for the year ending June 30, 1985, the State contributed $20 million, $9 million, and $17 million for NYCTRS, NYCERS, and TIAA/CREF, respectively, which are reported as other fringe benefits in the General Fund.

Finally, the State contributes to TRS. Such contributions relating to employees services rendered in fiscal year 1984-85 and paid in May 1986 ($20 million) are reported in the General Fund as other fringe benefits and accrued liabilities. The contribution relating to fiscal year 1985-86 and due in May 1987 ($21 million) is reported in the General Long-term Obligations Account Group as other long-term liabilities.

Accounting Principle Change

The accounting for contributions to PERS described above represents a change from prior years which is caused by the enactment of Chapter 33, Laws of 1986. Previously, PERS contributions were made on a 15 month lag and, as a result, the pension expenditures reported in the governmental funds and the liability reported in the General Fund were based on the PERS contribution made three months after year end (which related to salaries earned in the preceding fiscal year). In the current and future years, pension expenditures are and will be reported based on salaries earned during the then current year. Had the prior accounting been continued, pension expenditures reported in the governmental funds and the liability reported in the General Fund would have been $761 million.

Note 14
PUBLIC BENEFIT CORPORATIONS

Public benefit corporations (as defined in Note 1) are legally separate entities that are not operating departments of the State. The corporations are managed independently, outside the appropriated budget process and their powers generally are vested in a governing board. Corporations are established for a variety of purposes for the benefit of the State's citizenry such as economic development, financing and public transportation. They are not subject to State constitutional restrictions on the incurrence of debt, which apply to the State itself, and may issue bonds and notes within legislatively authorized amounts.

The Governor, with the approval of the State Senate, appoints the members of the Board of most corporations and either the Governor or the board selects the Chairman and chief operating officer. Corporations generally submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances accompanied by an independent auditor's report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial examinations and management audits of the corporations.

Corporations are generally supported by revenues derived from their activities, although in recent years the State has provided special financial assistance, in some cases of a recurring nature, to certain corporations for operating and other expenses and in fulfillment of its commitments on moral obligation indebtedness. Financial assistance in the form of appropriated loans or operating subsidies for certain corporations, principally the Urban Development Corporation, the Metropolitan Transportation Authority, the Housing Finance Agency, and Battery Park City Authority was provided in the fiscal year ended March 31, 1986 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of public benefit corporations.

The amounts presented in the accompanying combined financial statements for public benefit corporations include the following entities for the fiscal years indicated:

Entity	Year End
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 1985
Battery Park City Authority	October 31, 1985
Capital District Transportation Authority	March 31, 1986
Central New York Regional Transportation Authority	March 31, 1986
Dormitory Authority of the State of New York	March 31, 1986
Harlem Urban Development Corporation	March 31, 1986
Health Research, Inc.	March 31, 1986
Hudson River-Black River Regulating District	June 30, 1985
Industrial Exhibit Authority	March 31, 1986
Metropolitan Transportation Authority	December 31, 1985
New York City Transit Authority	December 31, 1985
Manhattan and Bronx Surface Transit Operating Authority	December 31, 1985
Staten Island Rapid Transit Operating Authority	December 31, 1985
Metropolitan Suburban Bus Authority	December 31, 1985
The Long Island Railroad Company	December 31, 1985
Triborough Bridge and Tunnel Authority	December 31, 1985
Metro-North Commuter Railroad Company	December 31, 1985
Narcotic and Drug Research, Inc.	March 31, 1986
Natural Heritage Trust	September 30, 1985
Nelson A. Rockefeller Empire State Plaza Performing Arts Center Operating Corporation	March 31, 1986
New York City Convention Center Development Corporation	October 31, 1985
New York City Convention Center Operating Corporation	March 31, 1986
New York State Bridge Authority	December 31, 1985
New York State Energy Research and Development Corporation	March 31, 1986
New York State Environmental Facilities Corporation	March 31, 1986
New York State Higher Education Services Corporation	March 31, 1986
New York State Housing Finance Agency	October 31, 1985
New York State Job Development Authority	March 31, 1986
New York State Medical Care Facilities Finance Agency	October 31, 1985
New York State Olympic Regional Development Authority	March 31, 1986
New York State Project Finance Agency	October 31, 1985
New York State Science and Technology Foundation	March 31, 1986
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 1985
New York State Thoroughbred Racing Capital Investment Fund	December 31, 1985
New York State Thruway Authority	December 31, 1985
New York Wine/Grape Foundation	March 31, 1986
Niagara Frontier Transportation Authority	March 31, 1986
Ogdensburg Bridge and Port Authority	March 31, 1986
Port of Oswego Authority	March 31, 1986
Power Authority of the State of New York	December 31, 1985
Research Foundation for Mental Hygiene	March 31, 1986
Research Foundation of SUNY	June 30, 1985
Research Foundation of CUNY	June 30, 1985
Rochester-Genesee Regional Transportation Authority	March 31, 1986
Roosevelt Island Operating Corporation	March 31, 1986
State Insurance Fund	December 31, 1985
State of New York Mortgage Agency	March 31, 1986
Urban Development Corporation	March 31, 1986
Youth Support, Inc.	March 31, 1986

Financial Information

Substantially all of the financial data was derived from audited annual financial statements and summarized into the accompanying format. Certain amounts have been reclassified to conform to the 1986 presentation. The public benefit corporations predominantly follow the accrual basis of accounting as required for the proprietary fund type. A few of the individual component units, principally the New York State Thruway Authority and the State Insurance Fund, do not fully conform to the accrual basis as applied to the proprietary fund type, however, the impact of these variances is not material to the public benefit corporations in total. Nine of the forty-two entities presented comprise 93% of the combined assets and 91% of the combined revenues (before eliminations). The accounts of these nine entities are provided below along with an explanation of significant and/or unusual accounts (amounts in thousands):

	Power Authority	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority	Housing Finance Agency	Urban Development Corporation
ASSETS:						
Cash and marketable securities	$ 1,660,494	$ 270,104	$ 1,763,935	$ 2,090,646	$ 1,161,888	$ 183,883
Receivables, net of allowances for uncollectibles:						
Due from Federal government	–	–	–	–	–	–
Loans and leases	–	–	–	2,833,309	5,156,398	1,286,636
Other	105,483	16,118	1,006,836	38,328	167,593	238,299
Fixed assets, net	2,905,184	1,045,590	4,404,377	859	–	1,762
Other assets	117,530	7,525	444,770	14,647	–	–
Total assets	**$ 4,788,691**	**$ 1,339,337**	**$ 7,619,918**	**$ 4,977,789**	**$ 6,485,879**	**$ 1,710,580**
LIABILITIES:						
Pension contributions payable	$ –	$ 16,534	$ 1,388,360	$ 1,610	$ –	$ –
Accounts payable	–	–	243,846	–	–	–
Accrued liabilities	149,678	49,309	715,054	131,417	416,470	66,241
Deferred revenues	108,282	273	135,305	9,401	27,681	27,012
Notes payable	328,265	–	–	26,162	9,435	144,280
Bonds payable	2,683,165	405,663	2,709,042	4,486,395	5,644,598	1,239,314
Other long-term liabilities	117,837	–	292,878	–	174,980	408,958
Total liabilities	**3,387,227**	**471,779**	**5,484,485**	**4,654,985**	**6,273,164**	**1,885,805**
EQUITY (DEFICIT):						
Contributed	–	102,890	1,888,236	–	–	–
Restricted	1,401,464	163,691	183,562	280,516	162,389	–
Unrestricted	–	600,977	63,635	42,288	50,326	(175,225)
Total equity (deficit)	**1,401,464**	**867,558**	**2,135,433**	**322,804**	**212,715**	**(175,225)**
Total liabilities and equity	**$ 4,788,691**	**$ 1,339,337**	**$ 7,619,918**	**$ 4,977,789**	**$ 6,485,879**	**$ 1,710,580**
REVENUES:						
Charges for services	$ 1,149,167	$ 185,372	$ 2,154,261	$ 20,460	$ 10,203	$ –
Financing income	–	–	–	272,974	373,369	83,367
Investment earnings	84,279	22,797	23,466	114,027	52,429	25,480
State subsidies and grants	–	–	570,378	–	–	12,818
City/county subsidies and grants	–	–	856,121	–	–	–
Federal grants	–	–	109,702	–	–	3,186
Miscellaneous	1,153	12,008	179,535	9,160	1,867	3,809
Total revenues	**1,234,599**	**220,177**	**3,893,463**	**416,621**	**437,868**	**128,660**
EXPENSES:						
Operations	860,447	171,294	3,745,964	66,073	18,037	11,717
Depreciation and amortization	137,359	–	140,157	570	17	10,856
Interest	187,104	21,296	65,774	288,521	398,391	98,541
Total expenses	**1,184,910**	**192,590**	**3,951,895**	**355,164**	**416,445**	**121,114**
Excess (deficiency) of revenues over expenses	**49,689**	**27,587**	**(58,432)**	**61,457**	**21,423**	**7,546**
Equity (deficit) at beginning of year	1,351,775	825,857	1,576,858	261,347	191,315	(182,771)
Other equity changes	–	14,114	617,007	–	(23)	–
Equity (deficit) at end of year	**$ 1,401,464**	**$ 867,558**	**$ 2,135,433**	**$ 322,804**	**$ 212,715**	**$ (175,225)**

State Insurance Fund	SONY Mortgage Agency	Medical Care Facilities Finance Agency	Other Entities	Total	Eliminations	Total Public Benefit Corporations
$ 2,333,871	$ 1,088,176	$ 1,189,157	$ 404,698	$ 12,146,852	$ 623,909	$ 11,522,943
—	—	—	76	76	—	76
—	1,240,536	1,502,307	672,620	12,691,806	3,564,010	9,127,796
298,654	18,965	17,853	291,193	2,199,322	976,173	1,223,149
4,068	—	—	1,029,607	9,391,447	—	9,391,447
2,502	44,978	—	25,632	657,584	—	657,584
$ 2,639,095	**$ 2,392,655**	**$ 2,709,317**	**$ 2,423,826**	**$ 37,087,087**	**$ 5,164,092**	**$ 31,922,995**
$ —	$ —	$ —	$ 10,335	$ 1,416,839	$ —	$ 1,416,839
—	—	820	7,796	252,462	—	252,462
2,275,932	133,983	140,318	176,612	4,255,014	—	4,255,014
129,659	—	6,216	25,652	469,481	—	469,481
—	—	—	43,329	551,471	144,280	407,191
—	2,090,902	2,470,395	809,594	22,539,068	4,729,542	17,809,526
—	—	1,000	212,727	1,208,380	100,270	1,108,110
2,405,591	**2,224,885**	**2,618,749**	**1,286,045**	**30,692,715**	**4,974,092**	**25,718,623**
—	—	—	703,199	2,694,325	—	2,694,325
—	—	87,316	144,841	2,423,779	—	2,423,779
233,504	167,770	3,252	289,741	1,276,268	190,000	1,086,268
233,504	**167,770**	**90,568**	**1,137,781**	**6,394,372**	**190,000**	**6,204,372**
$ 2,639,095	**$ 2,392,655**	**$ 2,709,317**	**$ 2,423,826**	**$ 37,087,087**	**$ 5,164,092**	**$ 31,922,995**
$ 403,002	$ —	$ 4,698	$ 105,121	$ 4,032,284	$ —	$ 4,032,284
—	121,244	151,109	61,655	1,063,718	—	1,063,718
245,141	88,862	105,187	47,993	809,661	—	809,661
—	—	—	163,546	746,742	—	746,742
—	—	—	45,369	901,490	—	901,490
—	—	—	234,764	347,652	—	347,652
3,552	10,854	4	49,126	271,068	—	271,068
651,695	**220,960**	**260,998**	**707,574**	**8,172,615**	**—**	**8,172,615**
654,025	6,595	6,649	578,263	6,119,064	—	6,119,064
211	10,770	—	37,751	337,691	—	337,691
—	171,375	216,425	66,897	1,514,324	—	1,514,324
654,236	**188,740**	**223,074**	**682,911**	**7,971,079**	**—**	**7,971,079**
(2,541)	**32,220**	**37,924**	**24,663**	**201,536**	**—**	**201,536**
235,519	135,550	50,252	1,052,921	5,498,623	190,000	5,308,623
526	—	2,392	60,197	694,213	—	694,213
$ 233,504	**$ 167,770**	**$ 90,568**	**$ 1,137,781**	**$ 6,394,372**	**$ 190,000**	**$ 6,204,372**

Power Authority

The Power Authority of the State of New York was created in 1931 to help provide a continuous adequate supply of dependable electric power and energy to the people of the State. The authority generates, transmits, and sells electric power and energy principally at wholesale to various customers including private and municipal utilities.

The Authority's principal asset, fixed assets (utility plant), is stated at original cost and consists primarily of amounts expended to license, construct, acquire, complete and place in operation projects of the Authority. Depreciation is provided on a straight-line basis over the estimated useful lives of various classes of plant with the exception of nuclear fuel which is amortized over its estimated useful life on the unit-of-production basis. The average life for depreciable electric plant is approximately 40 years. Investments costing $1.6 billion consist of U.S. Government Securities. Interest expense is net of interest capitalized of $55 million. Employees of the Authority are members of PERS and pension expense for the year was $16.2 million.

Pursuant to resolutions adopted in April 1985, the Authority issued $200 million of Adjustable Rate Tender Notes and $50 million of commercial paper.

The Indian Point 3 nuclear power plant has been experiencing steam generator tube corrosion problems, similar to problems experienced by other nuclear generators of the same design. The Authority has therefore initiated plans for the replacement of the tubes in late 1988 or early 1989 at an estimated cost of $175 million.

Several of the Authority's planned or existing projects or revenues therefrom are involved in proceedings before Federal and State Courts and agencies. The effect of these matters has delayed and may impede the Authority's construction and operations of such projects or planned projects and require the Authority to incur substantial additional costs or reductions in revenues. The Authority's General Counsel believes the Authority has meritorious positions with respect to these matters.

Subsequent to the end of its fiscal year, the Authority issued $650 million in General Purpose Bonds to finance construction costs of various plants and transmission lines.

Thruway Authority

The New York State Thruway Authority was created as a public corporation by the New York State Legislature in 1950 with powers to construct, operate and maintain a Thruway system. The Authority has also been authorized by the Legislature to act as a financing agent for issuing Emergency Highway Reconditioning and Preservation Bonds and Notes to finance improvements to State highways.

The accounts of the Thruway Authority are maintained in accordance with the provisions of its bond resolutions and accordingly, the Authority's financial statements are not intended to present financial condition and results of operations in conformity with generally accepted accounting principles. The accounts of the Authority follow generally accepted accounting principles except as follows:

- The General Revenue Bond Resolution states the operating expenses shall not include any allowance for depreciation and, accordingly, no provision for depreciation was included in the accounts;
- Equipment replacements are not capitalized; and
- All operating and maintenance costs, including materials and supplies, repairs, replacements and provisions for reasonable and necessary reserves to maintain facilities and equipment in good operating condition are charged to operations.

The primary asset, thruway project, ($1 billion) consists primarily of highways, bridges, buildings and equipment. Investments totaling $201 million consist of U.S. Government securities. Other equity changes consists of a provision of $14 million for reasonable and necessary reserves to maintain facilities and equipment in good working condition. Employees are members of PERS and pension expense for the year was $11 million. The Authority recognizes the cost of providing retirees' health care benefits by accruing and expensing the monthly insurance premiums. Total expense charged to operations was $2.5 million.

The Authority has been named as a defendant in a number of legal actions arising from various causes. Various types of liability insurance coverage are carried and the ultimate amounts required to settle such litigation are not expected to have a material effect on the financial condition of the Authority.

Subsequent to the end of its fiscal year, the Authority issued $161.3 million in Emergency Highway Reconditioning and Preservation Bonds and Emergency Highway Construction and Reconstruction Bonds (see Note 7).

Metropolitan Transportation Authority

The Metropolitan Transportation Authority was created to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York Metropolitan area. The accounts presented as the Metropolitan Transportation Authority are the combined accounts of the following related entities:

- Metropolitan Transportation Authority (MTA)
- New York City Transit Authority (NYCTA)
- Manhattan and Bronx Surface Transit Operating Authority (MABSTOA)
- Staten Island Rapid Transit Operating Authority (SIRTOA)
- Metropolitan Suburban Bus Authority (MSBA)
- The Long Island Railroad Company (LIRR)
- Triborough Bridge and Tunnel Authority (TBTA)
- Metro-North Commuter Railroad Company (M-NCRC)

Significant inter-entity transactions and balances were eliminated in combination. The primary asset, fixed assets, is reported net of $778 million accumulated depreciation which is provided on a straight-line basis over the estimated useful lives of the fixed assets which range from seven to one hundred years. Certain equipment and other capital used by NYCTA, MABSTOA, MSBA, and SIRTOA, primarily rolling stock, are funded and owned by City, State and Federal

governments and accordingly, are not recorded by the Authorities. Capital expenditures during the year were made in accordance with the five-year capital program implemented by MTA in 1982. The program approximates $7.8 billion and will be financed by Federal grants, long-term State service contracts, bonds to be issued by TBTA, proceeds from the sale of tax benefits and MTA bonds secured by system revenues and other sources. Approximately $6.1 billion has been committed under the program as of December 31, 1985. Investments of $1.7 billion consist of U.S. Government and agency securities and investments held under repurchase agreements collateralized by U.S. Government securities.

During 1985 TBTA sold the East Side Airlines Terminal for $91 million. The gain realized on the sale, approximately $89 million, has been included in miscellaneous revenues. Proceeds from the sale were transferred to MTA.

The Authority entered into an agreement to sell the New York Coliseum for $455 million. Proceeds from the sale will be split between the Authority and New York City.

Interest expense on MTA service contract bonds with a principal amount of $826 million was paid through charges to the State and therefore interest expense on these bonds is not recorded. Interest expense is net of interest capitalized of $64 million.

Other equity changes of $617 million are comprised of: Federal and State grants and other financing sources for capital projects ($602 million), less a $32 million loss relating to the defeasance of Convention Center bonds by TBTA; income restricted for capital projects of $17 million; and proceeds from sale of tax benefits of $30 million.

MTA recognizes the cost of providing retiree's health care benefits by expensing insurance premiums and costs which were approximately $2.7 million.

Employees are members of PERS or union sponsored plans and pension expense for the year was $466 million. The question of whether the LIRR pension plan should be subject to the Employees Retirement Income Security Act of 1974 (ERISA) is being litigated before the District Court. If the provisions of ERISA are determined to apply, LIRR may be required to contribute as much as $100 million to fund the plans for the period from January 1, 1976 through February 1980, or up to $356 million through December 1985 should ERISA apply to LIRR after it became a public benefit corporation in February 1980. Management believes that LIRR has persuasive arguments in support of the position that the plan is a "governmental plan" and not subject to ERISA and that those arguments should prevail. MTA and its related entities are also involved in civil rights suits and suits for personal injuries. Such litigation is not expected to have a significant adverse effect on their financial condition.

In May of 1984, NYCTA, MABSTOA, the City of New York and the Port Authority of New York and New Jersey initiated a suit against a bus manufacturer to recover damages of approximately $340 million. The manufacturer countersued for $1 billion. Management and counsel for NYCTA and MABSTOA believe that their complaint is meritorious and the likelihood that the counterclaim will result in any material liability is remote.

TBTA issued approximately $444 million of special obligation bonds in order to defease the $375 million general obligation bonds for the New York City convention center which had previously been issued and to provide additional funds for the convention center. These special obligation bonds are not secured by or payable from any revenues or assets of the Authority. Since the indebtedness is a liability of the State pursuant to its lease, the liability is not reflected by the Authority. The liability is recorded by New York State (see Note 7).

Subsequent to the end of its fiscal year:

- MTA issued $1.1 billion of Revenue and Service Contract Bonds. Proceeds of $604 million were used to refund debt of $629 million.
- MTA issued $81 million of Grant Anticipation Notes which will mature on November 14, 1986.
- TBTA issued $175 million of General Purpose Revenue Bonds to fund the Transportation and Transit project and debt service reserve funds.

Dormitory Authority

The Dormitory Authority was established in 1944 for the purpose of financing, designing, constructing, purchasing, reconstructing and/or rehabilitating buildings, ("projects") for use by educational and other not-for-profit institutions. The Authority is also authorized to make and purchase loans to students enrolled in participating institutions of higher education in the State, and finance the purchase of equipment and various short-term capital projects.

The primary asset, loans and leases receivable, is comprised of net investments in direct financing leases ($2.5 billion) which arise from projects leased under long-term noncancellable contracts and are accounted for as financing transactions, construction and mortgage receivables, equipment and other capital project loans, and student loans. Approximately 28% of the direct financing leases are with the State for State University, City University Senior Colleges, and State Health Department projects (see Note 7). No provision has been made for potential losses on mortgage and lease receivables because of collateral and reserve funds held.

Certain bond and note issues have letters of credit, or cash and investment securities pledged to secure payments of the related debt in amounts not less than the principal balance of debt outstanding. At year end, pledges with a market value of $545 million secure debt outstanding with a principal balance of $439 million. In addition, the principal balance outstanding of certain other bond issues is fully secured through municipal bond insurance. At March 31, 1986 the principal balance outstanding on these bonds totalled $360 million.

Investments of $2.1 billion consist principally of obligations of the U.S. Government. Interest expense is net of capitalized interest of $14.5 million. Employees are members of PERS and pension expense for the year was $785,000.

The Authority is a defendant in a number of pending legal actions. There are also a number of threatened actions involving the Authority. It is management's opinion that those

pending or threatened matters that would be material to the financial statements are covered by insurance or bonds filed with the Authority should a liability arise, or the Authority has the legal power and ability to seek funds to meet any such matters.

Housing Finance Agency

The New York State Housing Finance Agency was created to finance low and middle income housing through the sale of tax-exempt securities. The original mandate of the Agency has been expanded through legislation to include financing of non-profit hospitals, nursing homes, municipal health facilities, State University facilities, and community related projects such as day care and senior citizens centers and facilities for the mentally ill and mentally retarded.

The primary asset, loans and leases receivable, is comprised of mortgage and other loans ($2.3 billion), and lease receivables ($2.8 billion) which arise from projects leased under long-term noncancellable contracts and are accounted for as financing transactions. Lease receivables are primarily with the State for the State University Construction and the Mental Hygiene Improvement Programs (see Note 7). The provision for possible uncollectible mortgage loans was $6.2 million at year-end. Investments of $864 million are restricted to direct or guaranteed obligations of the U.S. Government, its agencies, the State and under certain circumstances, interest bearing deposits collateralized by U.S. Government obligations or similar bank investment securities.

Other long-term liabilities consist of amounts due to the State which represent the accumulated amount of unrepaid monies appropriated by the State legislature to the Agency. State repayment obligations are payable when the related mortgage loans are collected. New amounts received from the State totaled approximately $22 million, while repayments were $6 million. Employees are members of PERS and pension expense for the year was $551 thousand.

Other equity changes consists of a decrease in the investment valuation allowance and transfers of funds to other State agencies.

The auditor's report is qualified subject to the outcome of the following two matters:

- A mortgage loan and other receivables in the amount of $509 million relating to the Co-Op City project are in arrears. The collectibility of such receivables is dependent upon the mortgagor's ability to generate future revenues sufficient to cover operating costs, including debt service, the ability of the mortgagor to obtain additional financing or its ability to restructure its debts.
- The Agency is a defendant in lawsuits with respect to Co-Op City. The final outcome of these lawsuits is not presently determinable.

The Agency is involved in various other actions the outcome of which, in its opinion, will not result in any material adverse financial effect on its programs.

Subsequent to the end of its fiscal year, the Agency issued $63 million in mortgage revenue housing bonds and $184 million in construction and special obligation bonds. Proceeds from the issuance of $107 million in construction bonds were used to defease $85 million of previously issued construction bonds.

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State of New York. UDC has various powers which it may employ to promote civic, industrial, commercial or residential development within New York State. UDC utilizes its development expertise and its special statutory powers to facilitate tax abatement and tax-exempt financing in order to encourage private developers or industrial corporations to make capital improvements in economically or physically blighted areas. UDC also provides technical assistance to, and program management for, State and Federally funded projects. UDC has also developed and financed civic, commercial and industrial projects, and is developing two new communities.

The primary asset, loans and leases receivable, is comprised principally of residential mortgage loans receivable ($838 million, of which $743 million are subsidized mortgages) and nonresidential and industrial and mortgage loan receivables of $435 million. Residential mortgage loans are collaterialized by a first lien on the project and are payable by the Housing Company borrower in equal monthly debt service installments of principal and interest over a 40 year period. At March 31, 1986 approximately $474 million of subsidized residential mortgage loans have been pledged as collateral for approximately $211 million of revenue bonds and other long-term liabilities. Industrial lease and mortgage loan receivables have been pledged as collateral on special project revenue bonds issued by UDC of $355 million. Lease receivables consist of projects leased to users, generally under 25 to 40 year leases on terms designated to enable UDC to recover its cost plus a return (from 7% to 8¼%) thereon. Projected annual lease payments receivable for each of the five succeeding fiscal years approximates $12.6 million. Mortgage loans receivable primarily represent a $215 million mortgage loan to New York State for the purpose of financing the construction of correctional facilities (see Note 7).

Because a substantial number of subsidized mortgagors are presently unable to fully satisfy debt service obligations, and since it is anticipated that this condition will continue, UDC, for accounting purposes, amortizes its subsidized residential mortgage loans solely from amounts received from the United States Department of Housing and Urban Development ("HUD"). Such method will result in the recovery of UDC's investment over the remaining period to maturity of the subsidized mortgage loans with an estimated annual yield on the unrecovered investment of approximately 5%, subject only to the continued receipt of HUD payments. Debt service payments from Housing Companies on such loans are accounted for as interest income as received. In addition, interest on non-subsidized residential mortgage loans is recognized as received, based on an effective yield determined on the basis of management's estimate of future cash receipts to be received on the loans in relation to UDC's investment in the loans. Payments on both subsidized and non-subsidized residential

mortgage loans which are received during a period subsequent to the end of the fiscal year and which are applicable to such year are accrued. UDC continues to be legally entitled to receive all unpaid interest and principal payments under the mortgages. Such past due unpaid amounts were $135.5 million at March 31, 1986. No provision is made for possible uncollectible residential mortgage loans receivable. A provision of $94.6 million is provided for other receivables deemed to be uncollectible.

Investments totalling $182 million are restricted to (a) obligations of the State of New York or of the United States, (b) obligations, the principal and interest of which are guaranteed by the State of New York or the United States, (c) obligations of agencies and instrumentalities of the State of New York or of the United States, and (d) collateralized certificates of deposit of banks or trust companies in the State of New York. Other long-term liabilities represent the accumulated amount of monies appropriated by the State Legislature that have been received and not repaid. During the year, the State provided $11 million in appropriations related to certain special projects that are repayable only to the extent that UDC is repaid for investments under the projects. No repayments were made to the State during the year. An additional $12.8 million State subsidy was received during the year that does not require repayment. UDC is, and will remain, dependent upon the State for appropriations to meet its financing requirements. Employees are members of PERS and pension expense for the year was $1.3 million.

In connection with its mortgage loan enforcement efforts, foreclosure proceedings have commenced on several projects. These proceedings have resulted in counterclaims for damages. UDC has also been named defendant in other legal actions. UDC believes such litigation will not have a material adverse effect on its financial condition.

Subsequent to the end of its fiscal year, UDC issued approximately $511 million of correctional facilities revenue bonds to finance construction of certain correctional facilities within the State. These bonds are payable from rental payments from the State in amounts sufficient to pay principal and interest when due (see Note 7).

State Insurance Fund

The State Insurance Fund is comprised of the Worker's Compensation Fund and the Disability Benefits Fund and is primarily engaged in providing worker's compensation and disability benefit insurance for employers in the State of New York.

The State Insurance Fund prepares its financial statements in conformity with accounting practices prescribed or permitted by the New York State Insurance Department which vary in certain material respects from generally accepted accounting principles. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The principal variances are as follows:

- Assets of approximately $42 million which primarily represent overdue premiums in the course of collection, and any allowance for estimated uncollectible premiums are not recorded;
- Policy acquisition costs are charged to operations as incurred;
- Initial premiums are recorded when due and subsequent premiums are recorded when determined and billed to policyholders; and
- Salvage and subrogation recoveries are recorded when received.

The primary asset, investments ($2.3 billion), consists of U.S. Government and Government agency obligations, New York State obligations, corporate bonds, insured FHA mortgages and collateral loans (repurchase agreements). Other receivables included $190 million contingent receivable from New York State which is eliminated in combination (see Note 10). Employees are members of PERS and pension expense for the year was $6.3 million.

Substantially all property owned by the fund is used for its own operations. Buildings are depreciated over estimated useful lives (25 or 40 years) using the straight-line method.

On April 8, 1986, Chapter 28 of the Laws of 1986 was signed which authorizes and directs the Fund to transfer $325 million to the General Fund of the State by March 1, 1987. This legislation is patterned after Chapter 55 of the laws of 1982 which directed the Fund to transfer $190 million to the General Fund which is recorded by the Fund as a contingent receivable.

State of New York Mortgage Agency

The State of New York Mortgage Agency (Agency) was created in 1970 to alleviate shortages of funds available for residential mortgages that occur in the banking system within the State. To accomplish this purpose, the Agency issued tax-exempt mortgage revenue bonds and used the proceeds to purchase existing residential mortgage loans from New York State banks with the provision that the banks invest the proceeds in new residential mortgage loans within the State. In 1982, the Legislation noted above was amended to permit bond proceeds to be used directly to originate new mortgage loans through participating banks.

The Agency's primary asset, loans and leases receivable, consists primarily of mortgage loans ($1.2 billion) financed by long-term indebtedness. Mortgage loans on real estate are stated at their unpaid principal balance, less unearned discount. Unearned discount is amortized to earnings based upon the level yield method. Agency investments ($954 million) consist of U.S. Treasury securities, U.S. Government agency securities, and interest earning bank deposits collateralized by New York State and U.S. Government obligations. Security investments are stated at cost, adjusted for amortization of premium and accretion of discount to maturity on a straight-line basis, which approximates the interest method of amortization.

All full-time employees of the Agency are covered by PERS and pension expense for the year was $234 thousand.

Medical Care Facilities Finance Agency

The New York State Medical Care Facilities Finance Agency (Agency) is authorized to issue bonds and notes for the purpose of making mortgage and equipment loans to nonprofit hospitals, nursing home companies, medical corporations and other agencies, for making loans to qualified health maintenance organizations and for the financing of the construction of municipal health facilities in aggregate principal amounts not to exceed $3.55 billion dollars for the first two categories and $1 billion for the third.

The primary asset, loans and leases receivable, is comprised of mortgage loans ($1.5 billion) financed by long-term indebtedness. Investments of $1.2 billion are restricted to direct or guaranteed obligations of the U.S. Government, direct obligations of Federal agencies or the State and, under certain circumstances, interest bearing time deposits or similar bank investment securities collateralized by U.S. Government obligations or interest bearing notes issued by banks or bank holding companies. A valuation allowance is established to the extent the aggregate cost of investments exceeds market value and is reported as a part of restricted fund balance. The decrease in the investment valuation allowance during the year is reported as an other equity change. Certain transfers from the Housing Finance Agency and payments of reserve funds by mortgagors are also reported as other equity changes.

Subsequent to the end of its fiscal year, the agency issued bonds for various purposes totalling $841 million, and has extinguished debt related to revenue bonds through defeasence and refunding of $48 million.

Eliminations

Eliminations are made primarily to avoid duplicate reporting of assets and liabilities. As explained in Note 7, the State services a significant portion of the bonds and notes payable of certain public benefit corporations. Since this liability is reported by the State, an equivalent amount ($4.730 billion) of bonds payable and related assets is eliminated in arriving at the totals for the public benefit corporations. This amount differs from the amount in Note 7 ($5.559 billion) primarily due to transactions occurring between the corporations' reported fiscal year-ends and the State's March 31, 1986 year-end and because the amount reported in Note 7 for the Triborough Bridge and Tunnel Authority (TBTA) is no longer reported in TBTA's financial statements. The second elimination ($435 million) is to delete a $245 million receivable and payable between the Urban Development Corporation and the Project Finance Agency, and a $190 million contingent receivable (and related equity amount) reported by the State Insurance Fund.

Other Information

Cash and marketable securities (before eliminations) includes approximately $11.5 billion of marketable securities at cost, which approximates market value. Receivables are presented net of allowances for uncollectibles of $167 million.

Changes in fixed assets were as follows (amounts in thousands):

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Power Authority	$ 3,724,548	$ 222,142	$ 46,100	$ 3,900,590
Thruway Authority	1,042,146	3,444	–	1,045,590
Metropolitan Transportation Authority	4,174,715	1,020,008	12,111	5,182,612
Dormitory Authority	653	833	–	1,486
Urban Development Corporation	–	5,051	–	5,051
State Insurance Fund	9,244	718	–	9,962
Other	1,088,283	97,268	4,530	1,181,021
	10,039,589	**$ 1,349,464**	**$ 62,741**	11,326,312
Less Accumulated Depreciation	1,688,053			1,934,865
Total	**$ 8,351,536**			**$ 9,391,447**

Fixed Assets were comprised of the following (amounts in thousands):

Land	$ 308,387
Land Improvements	3,623,302
Buildings	4,736,550
Equipment	2,658,073
Total	**$ 11,326,312**

Certain public benefit corporations issue their own serial and revenue bonds. These bonds, which have interest rates ranging from 0.10% to 25.0%, are not legal obligations of the State (see Notes 7 and 11). Changes in bonds outstanding (before eliminations) were as follows (amounts in thousands):

	Outstanding Beginning of Year	Issued	Redeemed	Outstanding End of Year
Power Authority	$ 2,669,735	$ 269,930	$ 256,500	$ 2,683,165
Thruway Authority	431,099	–	25,436	405,663
Metropolitan Transportation Authority	2,465,569	766,870	523,397	2,709,042
Dormitory Authority	3,503,462	1,099,030	116,097	4,486,395
Housing Finance Agency	5,775,020	58,432	188,854	5,644,598
Urban Development Corporation	996,225	295,832	52,743	1,239,314
State of New York Mortgage Agency	1,536,717	609,955	55,770	2,090,902
Medical Care Facilities Finance Agency	1,575,432	903,738	8,775	2,470,395
Other	776,958	73,381	40,745	809,594
Total	**$ 19,730,217**	**$ 4,077,168**	**$ 1,268,317**	**$ 22,539,068**

Debt service requirements to maturity are as follows (amounts in thousands):

First year	$ 408,014
Second year	481,382
Third year	505,373
Fourth year	580,874
Fifth year	593,778
Thereafter	19,969,647
Total	**$ 22,539,068**

Notes were issued by certain public benefit corporations to provide temporary or interim financing for special projects. The notes will be repaid from the proceeds of revenue bonds to be issued, from the renewal of the notes or from monies received from municipalities, Federal or State aid or other sources relative to the purpose of the issuance. Interest rates for notes with a principal balance of $423.2 million ranged from 4.96% to 12.5%. Interest rates for $128.2 million fluctuate with bank prime lending rates and U.S. Treasury bill rates. Changes in notes were as follows (amounts in thousands):

	Outstanding Beginning of Year	Issued	Redeemed	Outstanding End of Year
Power Authority	$ 80,000	$ 250,000	$ 1,735	$ 328,265
Dormitory Authority	57,579	14,000	45,417	26,162
Housing Finance Agency	9,450	9,435	9,450	9,435
Urban Development Corporation	147,591	–	3,311	144,280
Medical Care Facilities Finance Agency	44,000	–	44,000	–
Other	81,506	43,600	81,777	43,329
Total	**$ 420,126**	**$ 317,035**	**$ 185,690**	**$ 551,471**

Public benefit corporations are also committed under numerous operating leases covering right-of-way and real property for which there is no evidence of purchase options or other traits of ownership passed to the public benefit corporations (capitalized leases are not significant). Rental expense for the year was $20 million. Future minimum lease payments under noncancellable leases exceeding one year are as follows (amounts in thousands):

First year	$ 9,785
Second year	9,311
Third year	9,371
Fourth year	7,408
Fifth year	7,412
Thereafter	88,876
Total	**$ 132,163**

Note 15
JOINT VENTURES

Joint Ventures are independently constituted entities generally created by two or more governments for a specific purpose, such as contracting and maintaining an interstate or international bridge. Pursuant to current financial reporting standards, the State does not record its equity in joint ventures. The only significant joint venture in which the State of New York participates is the Port Authority of New York and New Jersey.

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. It is authorized and directed to plan, develop and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, defined in the compact, which comprises an area of about 1,500 square miles in both States, centering about New York Harbor.

The governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senate. Each governor has from time to time exercised the statutory power to veto the actions of the commissioners from his state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, its reserve funds and its future revenues. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

The Port Authority's annual budget is a financial planning tool outlining the estimated expenditures for programs already authorized or to be considered by the Board of Commissioners. It is not an authorization allocation, and approval of the budget based on the financial plan does not in itself authorize projects. Each capital project must be separately considered and approved by the Commissioners. Upon approval, the financial plan becomes a means of achieving systematic control of program expenditures to ensure that they are made in accordance with the policies and financial decisions of the Board, and the requirements of the By-Laws of the Port Authority.

Consolidated financial statements of the Port Authority for the fiscal year ending December 31, 1985 disclosed the following (amounts in thousands):

Financial Position

Total assets	$ 5,046,308
Total liabilities	(3,091,810)
Net assets	**$ 1,954,498**

Operating Results

Operating revenues	$ 1,100,840
Operating expenses	(859,843)
Depreciation and amortization	(159,331)
Income from operations	81,666
Financial income (expense), net	(23,172)
Income before extraordinary items	58,494
Extraordinary Item:	
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	4,851
Net income	**$ 63,345**

Changes in Net Assets

Balance, January 1, 1985	**$ 1,868,547**
Net income	63,345
Federal contributions in aid of construction	22,606
Balance, December 31, 1985	**$ 1,954,498**

Except for Special Project Bonds, the Authority's debt is secured by its full faith and credit, its reserve funds or a pledge of specific net revenues of certain leases. Special Project Bonds are secured by a lease on the financed properties, a mortgage by the lessee of its leasehold interests under the lease and by a security interest in certain items of the lessee's personal property to be located at the project. At December 31, 1985 Port Authority debt consisted of the following (amounts in thousands):

General and refunding bonds	$ 642
Consolidated bonds	2,458,324
Consolidated notes	100,000
Special project bonds	96,500
	$ 2,655,466

Combining Financial Statements

Nelson A. Rockefeller Empire State Plaza, Albany

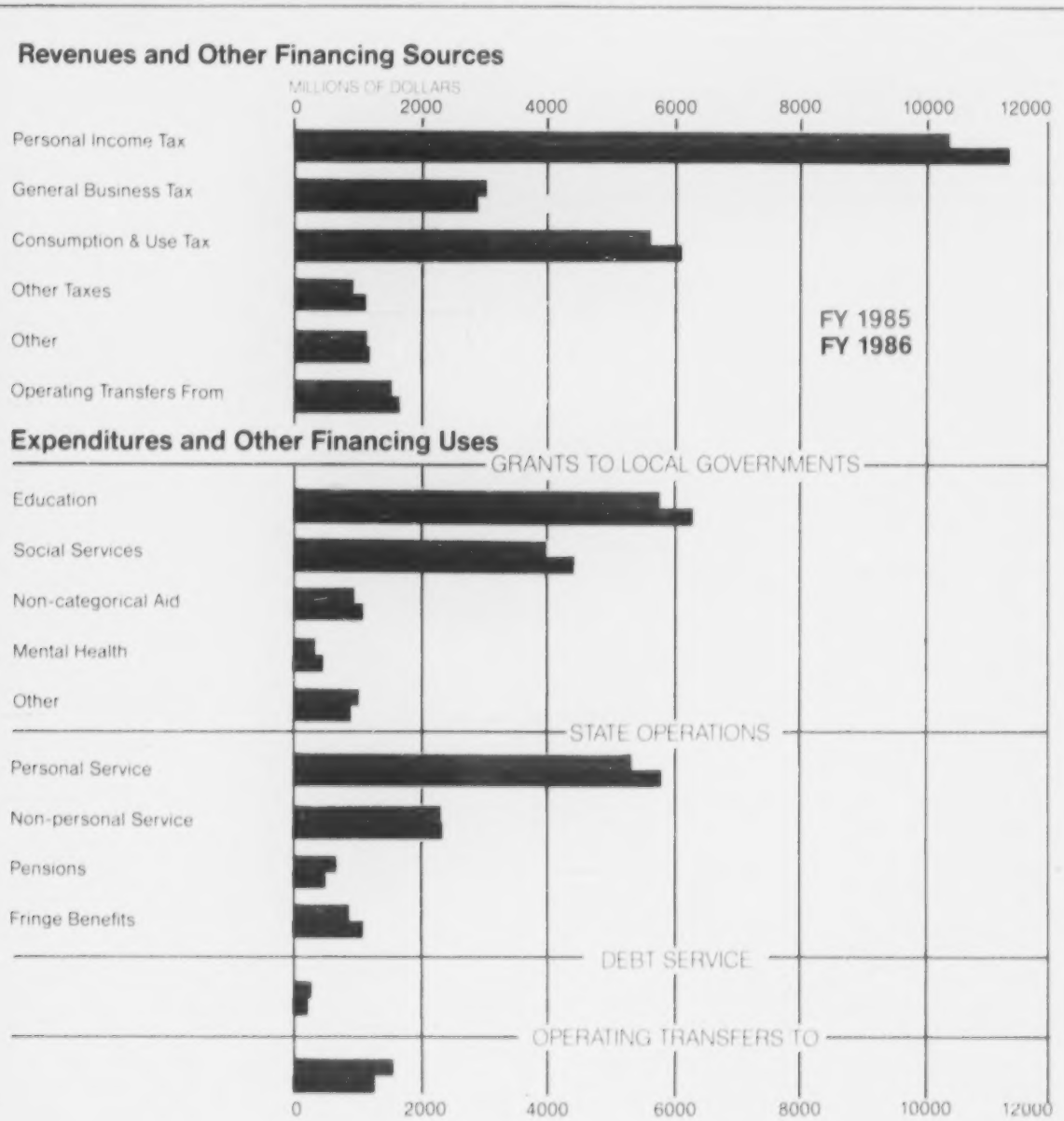
General Fund

Alfred E. Smith State Office Building, Albany

The General Fund is the most significant of the State's funds. Most tax revenues and certain miscellaneous revenues are recorded in the General Fund.

The General Fund is divided into several accounts. Expenditures in the form of aid to local governments for their general purposes (e.g., State-local revenue sharing) and to school districts and municipalities for certain specific purposes (e.g., education and social services) are made from the Local Assistance account. These payments, often based on specific legislated formulas, are nevertheless limited under the State Constitution to appropriations in force. Expenditures from the Local Assistance account normally comprise approximately 60% of General Fund expenditures.

The expenditures of operating the departments of the Executive Branch, the Legislature and the Judiciary, as well as expenditures for General State charges such as contributions to employee retirement systems, are paid primarily from the State Purposes account and normally comprise approximately one-third of the General Fund expenditures.



General Fund— Combining Balance Sheet

March 31, 1986
(Amounts in thousands) (Unaudited)

	Local Assistance Account	State Purposes Account	Tax Stabilization Reserve Account	Centralized Services Account
ASSETS:				
Cash and marketable securities	$ 2,253	$ 193,390	$ 152,627	$ 5,409
Receivables, net of allowances for uncollectibles:				
Taxes	–	3,024,165	–	–
Other	351	54,503	–	1,033
Due from other funds	5,901	54,124	48,607	14,197
Other assets	30,210	7,349	–	–
Total assets	**$ 38,715**	**$ 3,333,531**	**$ 201,234**	**$ 20,639**
LIABILITIES:				
Tax refunds payable	$ –	$ 2,758,806	$ –	$ –
Payable to local governments	3,080,515	32,365	–	–
Pension contributions payable	–	591,132	–	–
Accounts payable	1,940	215,369	–	6,642
Accrued liabilities	564,679	532,065	–	1,036
Due to other funds	11,423	105,933	–	29,745
Deferred revenues	–	104,026	–	–
Total liabilities	**3,658,557**	**4,339,696**	**–**	**37,423**
EQUITY (DEFICIT):				
Fund balances (deficits):				
Reserved for:				
Encumbrances	121,269	200,968	–	11,787
Tax stabilization	–	–	201,234	–
Education accumulation	–	–	–	–
Other specified purposes	351	7,347	–	–
Unreserved:				
Undesignated	(3,741,462)	(1,214,480)	–	(28,571)
Total equity (deficit)	**(3,619,842)**	**(1,006,165)**	**201,234**	**(16,784)**
Commitments and contingencies				
Total liabilities and equity	**$ 38,715**	**$ 3,333,531**	**$ 201,234**	**$ 20,639**

Division for Youth Commissary Account	State Exposition Special Account	Correctional Services Commissaries Account	Correctional Services Arts & Crafts Account	Miscellaneous Enterprise Account	Miscellaneous Internal Service Account	Earmarked Revenue Account	Mental Hygiene Revolving Account
$ 73	$ 177	$ 2,567	$ (25)	$ 206	$ 23	$ 267,158	$ 261
–	–	–	–	–	–	–	–
–	–	–	–	–	–	8,971	–
–	13	23	–	69	–	18,330	14
–	–	–	–	–	–	5	–
$ 73	**$ 190**	**$ 2,590**	**$ (25)**	**$ 275**	**$ 23**	**$ 294,464**	**$ 275**
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
9	104	767	–	49	–	36,347	61
–	22	–	–	–	–	28,854	48
–	23	–	–	1	–	22,624	51
–	–	–	–	–	–	48,379	–
9	**149**	**767**	**–**	**50**	**–**	**136,204**	**160**
–	33	–	–	–	–	31,766	106
–	–	–	–	–	–	–	–
–	–	–	–	–	–	191,000	–
–	–	–	–	–	–	–	–
64	8	1,823	(25)	225	23	(64,506)	9
64	**41**	**1,823**	**(25)**	**225**	**23**	**158,260**	**115**
$ 73	**$ 190**	**$ 2,590**	**$ (25)**	**$ 275**	**$ 23**	**$ 294,464**	**$ 275**

General Fund— Combining Balance Sheet (cont'd)

March 31, 1986
(Amounts in thousands) (Unaudited)

	Division for Youth Vocational Education Account	Mental Health Facilities Special Services Account	Mental Health Sheltered Workshop Account	Mental Retardation Sheltered Workshop Account	Mental Hygiene Community Stores Account
ASSETS:					
Cash and marketable securities	$ 15	$ 31	$ 951	$ 522	$ 2,870
Receivables, net of allowances for uncollectibles:					
Taxes	–	–	–	–	–
Other	–	–	3	3	103
Due from other funds	–	–	3	–	32
Other assets	–	–	–	–	–
Total assets	**$ 15**	**$ 31**	**$ 957**	**$ 525**	**$ 3,005**
LIABILITIES:					
Tax refunds payable	$ –	$ –	$ –	$ –	$ –
Payable to local governments	–	–	–	–	–
Pension contributions payable	–	–	–	–	–
Accounts payable	5	–	155	31	393
Accrued liabilities	–	–	–	–	88
Due to other funds	–	–	–	1	415
Deferred revenues	–	–	–	–	–
Total liabilities	**5**	**–**	**155**	**32**	**896**
EQUITY (DEFICIT):					
Fund balances (deficits)					
Reserved for					
Encumbrances	–	–	37	11	322
Tax stabilization	–	–	–	–	–
Education accumulation	–	–	–	–	–
Other specified purposes	–	–	–	–	–
Unreserved					
Undesignated	10	31	765	482	1,787
Total equity (deficit)	**10**	**31**	**802**	**493**	**2,109**
Commitments and contingencies					
Total liabilities and equity	**$ 15**	**$ 31**	**$ 957**	**$ 525**	**$ 3,005**

Supply Support System Revolving Account	Audit and Control Revolving Account	Health Insurance Revolving Account	Correctional Industries Revolving Account	Taxation and Finance Internal Service Account	Industrial Exhibit Authority Account	CUNY Unrestricted Account	Eliminations	Totals March 31, 1986	1985
$ 7,461	$ 3	$ –	$ 76	$ –	$ 431	$ 6,262	$ –	$ 642,741	$ 277,568
–	–	–	–	–	–	–	–	3,024,165	2,973,937
51	2,087	–	4,225	–	3	5,575	–	76,908	142,370
8,252	–	2,852	2	–	–	–	(94,530)	57,889	11,909
–	–	–	–	–	–	425	–	37,989	303
$ 15,764	**$ 2,090**	**$ 2,852**	**$ 4,303**	**$ –**	**$ 434**	**$ 12,262**	**$ (94,530)**	**$ 3,839,692**	**$ 3,406,087**
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 2,758,806	$ 2,531,342
–	–	–	–	–	–	–	–	3,112,880	3,146,485
–	–	–	–	–	–	–	–	591,132	706,967
4,739	78	34	5,119	–	15	2,083	–	273,940	245,071
984	181	281	615	–	47	–	–	1,128,900	989,360
2,287	1,418	6,596	8,847	–	5	–	(94,530)	94,839	62,121
–	–	–	1,500	–	–	5,991	–	159,896	161,516
8,010	**1,677**	**6,911**	**16,081**	**–**	**67**	**8,074**	**(94,530)**	**8,120,393**	**7,842,862**
10,677	366	666	–	–	–	–	–	378,008	321,668
–	–	–	–	–	–	–	–	201,234	201,136
–	–	–	–	–	–	–	–	191,000	–
–	871	–	–	–	–	–	–	8,569	5,995
(2,923)	(824)	(4,725)	(11,778)	–	367	4,188	–	(5,059,512)	(4,965,574)
7,754	**413**	**(4,059)**	**(11,778)**	**–**	**367**	**4,188**	**–**	**(4,280,701)**	**(4,436,775)**
$ 15,764	**$ 2,090**	**$ 2,852**	**$ 4,303**	**$ –**	**$ 434**	**$ 12,262**	**$ (94,530)**	**$ 3,839,692**	**$ 3,406,087**

General Fund— Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	Local Assistance Account	State Purposes Account	Tax Stabilization Reserve Account	Centralized Services Account
REVENUES:				
Taxes				
Personal income	$ –	$ 11,506,741	$ –	$ –
General business	–	2,911,591	–	–
Consumption and use	–	6,114,953	–	–
Other	–	1,115,309	–	–
Federal grants	714	77,629	–	2,141
Miscellaneous	1,328	841,259	–	118,109
Total revenues	2,042	22,567,482	–	120,250
EXPENDITURES:				
Grants to local governments				
Education	6,243,307	–	–	–
Social services	4,422,980	–	–	–
Non-categorical aid	1,150,035	–	–	–
Health and environmental	145,151	–	–	–
Transportation	324,011	–	–	–
Mental hygiene	463,649	–	–	–
Criminal justice	161,410	–	–	–
Other programs	284,094	–	–	–
Operations of state departments and agencies				
Personal service costs	302,227	4,023,211	–	13,788
Non-personal service costs	64,246	1,901,705	–	104,071
Pension contribution	–	549,828	–	–
Other fringe benefits	83,307	914,126	–	4,457
Debt service, including payments on financing agreements	–	218,516	–	–
Total expenditures	13,644,417	7,607,386	–	122,316
Excess (deficiency) of revenues over expenditures	(13,642,375)	14,960,096	–	(2,066)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	14,078,145	126,886	98	–
Operating transfers to other funds	(401,476)	(15,132,921)	–	–
Net other financing sources (uses)	13,676,669	(15,006,035)	98	–
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	34,294	(45,939)	98	(2,066)
Fund balances (deficits) at April 1, 1985	(3,654,136)	(960,226)	201,136	(14,718)
Fund balances (deficits) at March 31, 1986	$ (3,619,842)	$ (1,006,165)	$ 201,234	$ (16,784)

Division for Youth Commissary Account	State Exposition Special Account	Correctional Services Commissaries Account	Correctional Services Arts & Crafts Account	Miscellaneous Enterprise Account	Miscellaneous Internal Service Account	Earmarked Revenue Account	Mental Hygiene Revolving Account
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	9,927	–
146	4,061	15,034	1,984	401	4	243,199	1,564
146	**4,061**	**15,034**	**1,984**	**401**	**4**	**253,126**	**1,564**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	6,604	–
–	1,091	–	–	–	–	1,327,512	562
114	3,751	13,958	2,010	188	1	316,552	902
–	–	–	–	–	–	–	–
–	73	–	–	–	–	56,380	187
–	–	–	–	–	–	–	–
114	**4,915**	**13,958**	**2,010**	**188**	**1**	**1,707,048**	**1,651**
32	**(854)**	**1,076**	**(26)**	**213**	**3**	**(1,453,922)**	**(87)**
–	–	–	–	–	–	1,636,227	–
–	–	–	–	–	–	(3,316)	–
–	**–**	**–**	**–**	**–**	**–**	**1,632,911**	**–**
32	(854)	1,076	(26)	213	3	178,989	(87)
32	895	747	1	12	20	(20,729)	202
$ 64	**$ 41**	**$ 1,823**	**$ (25)**	**$ 225**	**$ 23**	**$ 158,260**	**$ 115**

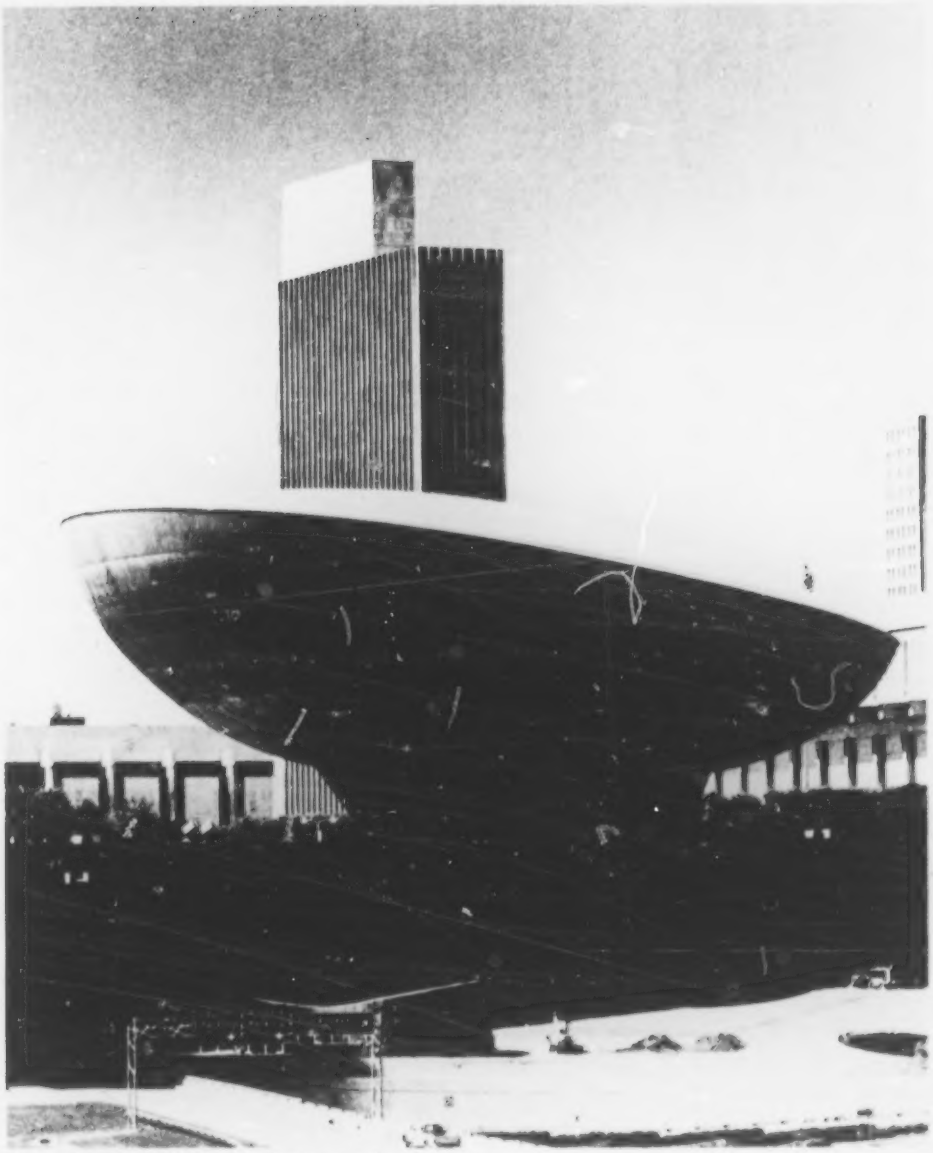
General Fund— Combining Statement of Revenues, Expenditures and Changes in Fund Balances (cont'd)

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	Division for Youth Vocational Education Account	Mental Health Facilities Special Services Account	Mental Health Sheltered Workshop Account	Mental Retardation Sheltered Workshop Account	Mental Hygiene Community Stores Account
REVENUES:					
Taxes					
Personal income	$ —	$ —	$ —	$ —	$ —
General business	—	—	—	—	—
Consumption and use	—	—	—	—	—
Other	—	—	—	—	—
Federal grants	—	—	—	—	—
Miscellaneous	32	208	1,979	797	5,705
Total revenues	32	208	1,979	797	5,705
EXPENDITURES:					
Grants to local governments					
Education	—	—	—	—	—
Social services	—	—	—	—	—
Non-categorical aid	—	—	—	—	—
Health and environmental	—	—	—	—	—
Transportation	—	—	—	—	—
Mental hygiene	—	—	—	—	—
Criminal justice	—	—	—	—	—
Other programs	—	—	—	—	—
Operations of state departments and agencies					
Personal service costs	—	—	981	6	1,656
Non-personal service costs	25	183	566	533	2,483
Pension contribution	—	—	—	—	—
Other fringe benefits	—	—	—	—	489
Debt service, including payments on financing agreements	—	—	—	—	—
Total expenditures	25	183	1,547	539	4,628
Excess (deficiency) of revenues over expenditures	7	25	432	258	1,077
OTHER FINANCING SOURCES (USES):					
Operating transfers from other funds	—	—	—	—	—
Operating transfers to other funds	—	—	—	—	—
Net other financing sources (uses)	—	—	—	—	—
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	7	25	432	258	1,077
Fund balances (deficits) at April 1, 1985	3	6	370	235	1,032
Fund balances (deficits) at March 31, 1986	$ 10	$ 31	$ 802	$ 493	$ 2,109

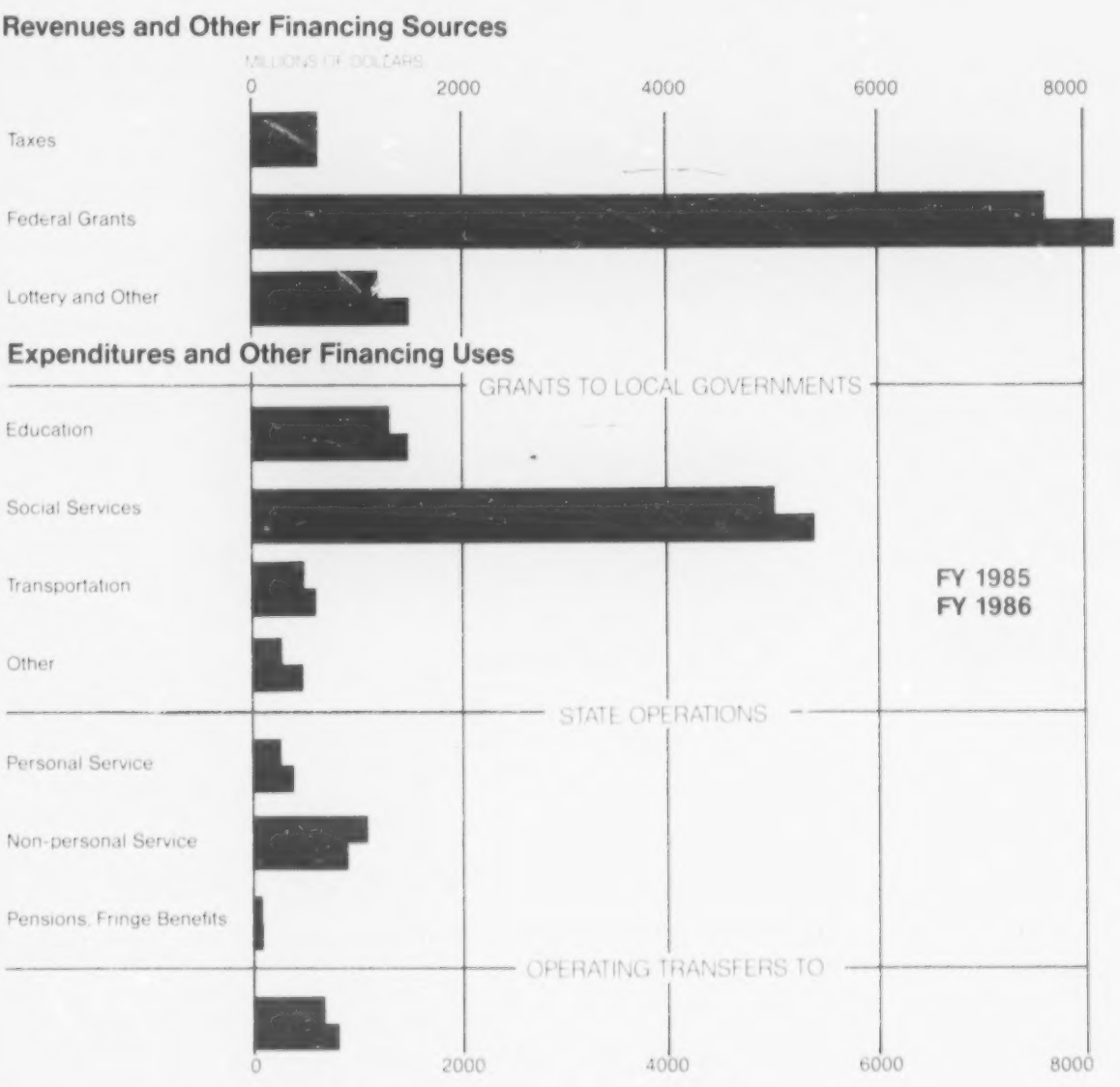
Supply Support System Revolving Account	Audit and Control Revolving Account	Health Insurance Revolving Account	Correctional Industries Revolving Account	Taxation and Finance Internal Service Account	Industrial Exhibit Authority Account	CUNY Unrestricted Account	Eliminations	Totals Year Ended March 31, 1986	1985
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 11,506,741	$ 10,595,701
—	—	—	—	—	—	—	—	2,911,591	3,041,525
—	—	—	—	—	—	—	—	6,114,953	5,674,695
—	—	—	—	—	—	—	—	1,115,309	885,719
—	—	—	—	—	—	—	—	90,411	78,486
73,727	1,216	5,000	36,562	—	1,303	27,696	(232,241)	1,149,073	1,083,557
73,727	**1,216**	**5,000**	**36,562**	**—**	**1,303**	**27,696**	**(232,241)**	**22,888,078**	**21,359,683**
—	—	—	—	—	—	—	—	6,243,307	5,748,479
—	—	—	—	—	—	—	—	4,422,980	4,015,808
—	—	—	—	—	—	—	—	1,150,035	948,131
—	—	—	—	—	—	—	—	145,151	217,743
—	—	—	—	—	—	—	—	324,011	325,227
—	—	—	—	—	—	—	—	463,649	345,265
—	—	—	—	—	—	—	—	161,410	90,783
—	—	—	—	—	—	—	—	290,698	408,827
12,640	490	3,730	10,664	183	675	120,762	—	5,820,178	5,303,684
60,567	126	583	29,639	895	258	27,193	(232,241)	2,298,308	2,294,869
—	—	—	—	—	—	—	—	549,828	661,680
4,127	475	1,206	3,451	132	92	27,093	—	1,095,595	833,793
—	—	—	—	—	—	—	—	218,516	247,964
77,334	**1,091**	**5,519**	**43,754**	**1,210**	**1,025**	**175,048**	**(232,241)**	**23,183,666**	**21,442,253**
(3,607)	**125**	**(519)**	**(7,192)**	**(1,210)**	**278**	**(147,352)**	**—**	**(295,588)**	**(82,570)**
—	—	—	—	—	—	148,019	(14,262,353)	1,727,022	1,544,685
—	—	—	—	—	—	—	14,262,353	(1,275,360)	(1,567,820)
—	**—**	**—**	**—**	**—**	**—**	**148,019**	**—**	**451,662**	**(23,135)**
(3,607)	125	(519)	(7,192)	(1,210)	278	667	—	156,074	(105,705)
11,361	288	(3,540)	(4,586)	1,210	89	3,521	—	(4,436,775)	(4,331,070)
$ 7,754	**$ 413**	**$ (4,059)**	**$ (11,778)**	**$ —**	**$ 367**	**$ 4,188**	**$ —**	**$ (4,280,701)**	**$ (4,436,775)**

Special Revenue Funds



Empire State Institute for the Performing Arts, Albany

Special Revenue Funds contain the largest number of individual funds, and cover a broad range of State operations (e.g., hunting and fishing licenses, special Federal grants, etc.). These funds derive their revenues largely from grants or user fees which are earmarked for specific types of expenditures, and from Federal funds received for certain State operations or for "pass-through" to local governments under State-administered Federal programs. Until fiscal 1982-83 these funds had been largely omitted from the budgetary and appropriation process.



Special Revenue Funds—Combining Balance Sheet

March 31, 1986
(Amounts in thousands) (Unaudited)

	State Lottery	Miscellaneous Federal Agency	Federal DHHS	Federal DHHS Block Grant
ASSETS:				
Cash and marketable securities	$ 5,704	$ 2,646	$ 1,780	$ (218)
Receivables net of allowances for uncollectibles:		–		
Taxes	–	–	–	–
Due from Federal government	–	–	1,117,606	75,305
Other	24,322	–	–	–
Due from other funds	2	–	233	432
Other assets	–	–	837	50
Total assets	**$ 30,028**	**$ 2,646**	**$ 1,120,456**	**$ 75,569**
LIABILITIES:				
Tax refunds payable	$ –	$ –	$ –	$ –
Payable to local governments	–	–	240,251	69,279
Accounts payable	3,245	88	83,024	–
Accrued liabilities	3,372	–	745,368	1,777
Due to other funds	2,019	–	51,813	4,513
Deferred revenues	–	2,558	–	–
Total liabilities	**8,636**	**2,646**	**1,120,456**	**75,569**
EQUITY (DEFICIT):				
Fund balances (deficits):				
Reserved for				
Encumbrances	304	124	8,962	5,827
Unreserved				
Designated	21,088	(124)	(8,962)	(5,827)
Total equity (deficit)	**21,392**	–	–	–
Commitments and contingencies				
Total liabilities and equity	**$ 30,028**	**$ 2,646**	**$ 1,120,456**	**$ 75,569**

Federal Operating Grants	Federal Emergency Jobs	Conservation	Environmental Protection and Oil Spill Compensation	OSHA Training and Education Safety	Clients Security	Hazardous Waste Remedial
$ 175,442	$ 486	$ 4,763	$ 14,930	$ 1,983	$ 2,310	$ 17,895
–	–	–	–	–	–	–
102,621	640	–	–	–	–	–
907	–	34	100	–	14	113
2,163	–	1,869	–	–	–	193
3	31	–	–	–	–	–
$ 281,136	**$ 1,157**	**$ 6,666**	**$ 15,030**	**$ 1,983**	**$ 2,324**	**$ 18,201**
$ –	$ –	$ –	$ –	$ –	$ –	$ –
100,890	67	–	–	–	–	–
3,677	310	569	1,253	–	245	2,154
3,372	–	1,063	118	–	5	205
13,322	780	1,323	116	7	8	204
–	–	–	–	–	–	–
121,261	**1,157**	**2,955**	**1,487**	**7**	**258**	**2,563**
17,313	3,580	1,842	3,457	–	–	5,002
142,562	(3,580)	1,869	10,086	1,976	2,066	10,636
159,875	**–**	**3,711**	**13,543**	**1,976**	**2,066**	**15,638**
$ 281,136	**$ 1,157**	**$ 6,666**	**$ 15,030**	**$ 1,983**	**$ 2,324**	**$ 18,201**

Special Revenue Funds— Combining Balance Sheet (cont'd)

March 31, 1986
(Amounts in thousands) (Unaudited)

	Mass Transportation Operating Assistance	Legislative Computer Services R&D	Employment Training Fund (Job Training Partnership Act)	Substance Abuse Service
ASSETS:				
Cash and marketable securities	$ 154,123	$ 1,060	$ 114	$ 92
Receivables net of allowances for uncollectibles:				
Taxes	40,353	—	—	—
Due from Federal government	—	—	—	—
Other	648	7	—	1
Due from other funds	78,682	—	2	—
Other assets	—	—	—	—
Total assets	$ 273,806	$ 1,067	$ 116	$ 93
LIABILITIES:				
Tax refunds payable	$ 5,196	$ —	$ —	$ —
Payable to local governments	—	—	—	—
Accounts payable	16,072	8	26	—
Accrued liabilities	—	—	27	—
Due to other funds	127	—	29	—
Deferred revenues	—	—	—	—
Total liabilities	21,395	8	82	—
EQUITY (DEFICIT):				
Fund balances (deficits):				
Reserved for Encumbrances	91	—	40	—
Unreserved Designated	252,320	1,059	(6)	93
Total equity (deficit)	252,411	1,059	34	93
Commitments and contingencies				
Total liabilities and equity	$ 273,806	$ 1,067	$ 116	$ 93

Vocational Rehabilitation	Unemployment Insurance Administration	Unemployment Insurance Interest and Penalty	Unemployment Insurance Occupational Training	Federal Job Training Partnership	Sole Custody	Eliminations	Totals March 31, 1986	1985
$ 28	$ 552	$ 1,884	$ 502	$ 446	$ 9	$ –	$ 386,531	$ 209,997
–	–	–	–	–	–	–	40,353	44,620
–	24,530	–	–	1,269	–	–	1,321,971	1,176,446
1	–	10	–	–	–	–	26,157	28,430
–	627	7	–	17	–	(3,500)	80,727	76,310
–	657	–	–	1	–	–	1,579	–
$ 29	**$ 26,366**	**$ 1,901**	**$ 502**	**$ 1,733**	**$ 9**	**$ (3,500)**	**$ 1,857,318**	**$ 1,535,803**
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 5,196	$ 2,282
–	–	–	–	–	–	–	410,487	388,890
2	5,277	406	–	1,331	–	–	117,687	52,136
–	10,808	15	–	103	–	–	766,233	735,926
69	10,281	61	–	299	–	(3,500)	81,471	49,541
–	–	–	502	–	–	–	3,060	3,359
71	**26,366**	**482**	**502**	**1,733**	**–**	**(3,500)**	**1,384,134**	**1,232,134**
1	9,172	516	–	4,862	–	–	61,093	75,334
(43)	(9,172)	903	–	(4,862)	9	–	412,091	228,335
(42)	**–**	**1,419**	**–**	**–**	**9**	**–**	**473,184**	**303,669**
$ 29	**$ 26,366**	**$ 1,901**	**$ 502**	**$ 1,733**	**$ 9**	**$ (3,500)**	**$ 1,857,318**	**$ 1,535,803**

Special Revenue Funds—Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	State Lottery	Miscellaneous Federal Agency	Federal DHHS	Federal DHHS Block Grant
REVENUES:				
Taxes:				
General business	$ –	$ –	$ –	$ –
Consumption and use	–	–	–	–
Federal grants	–	10,088	6,434,964	626,810
Lottery	1,245,384	–	–	–
Miscellaneous	–	–	15,000	–
Total revenues	**1,245,384**	**10,088**	**6,449,964**	**626,810**
EXPENDITURES:				
Grants to local governments:				
Education	744,790	–	477,184	26,653
Social services	–	–	4,844,441	437,404
Health and environmental	–	–	5,297	22,898
Transportation	–	–	–	–
Mental health	–	–	–	30,729
Criminal justice	–	–	–	–
Other programs	–	3,406	52,442	45,616
Operations of state departments and agencies:				
Personal service costs	4,956	71	102,926	30,647
Non-personal service costs	635,399	6,611	129,041	26,473
Pension contributions	667	–	12,659	3,075
Other fringe benefits	896	–	19,453	4,726
Total expenditures	**1,386,708**	**10,088**	**5,643,443**	**628,221**
Excess (deficiency) of revenues over expenditures	**(141,324)**	**–**	**806,521**	**(1,411)**
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	128,496	–	–	1,411
Operating transfers to other funds	–	–	(806,521)	–
Net other financing sources (uses)	**128,496**	**–**	**(806,521)**	**1,411**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(12,828)	–	–	–
Fund balances (deficits) at April 1, 1985	34,220	–	–	–
Fund balances (deficits) at March 31, 1986	$ 21,392	$ –	$ –	$ –

Federal Operating Grants	Federal Emergency Jobs	Conservation	Environmental Protection and Oil Spill Compensation	OSHA Training and Education Safety	Clients Security	Hazardous Waste Remedial
$ –	$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–	–
830,287	6,110	76	–	–	–	–
–	–	–	–	–	–	–
376	–	24,655	13,755	1,998	1,536	10,053
830,663	6,110	24,731	13,755	1,998	1,536	10,053
222,120	1,102	–	–	–	–	–
102,403	–	–	–	–	–	–
126,399	–	–	–	–	–	–
866	–	–	–	–	–	–
–	–	–	–	–	–	–
1,637	–	–	–	–	–	–
77,428	81	–	–	–	–	–
46,519	–	14,998	1,483	14	124	2,129
67,610	4,662	6,919	5,138	3	42	5,187
5,324	–	2,141	–	–	450	–
8,183	–	2,878	518	5	606	718
658,489	5,845	26,936	7,139	22	1,222	8,034
172,174	265	(2,205)	6,616	1,976	314	2,019
–	–	–	–	–	–	10,515
(12,299)	(265)	–	(6,338)	–	–	–
(12,299)	(265)	–	(6,338)	–	–	10,515
159,875	–	(2,205)	278	1,976	314	12,534
–	–	5,916	13,265	–	1,752	3,104
$ 159,875	$ –	$ 3,711	$ 13,543	$ 1,976	$ 2,066	$ 15,638

Special Revenue Funds— Combining Statement of Revenues, Expenditures and Changes in Fund Balances (cont'd)

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	Mass Transportation Operating Assistance	Legislative Computer Services R&D	Employment Training Fund (Job Training Partnership Act)	Substance Abuse Service
REVENUES:				
Taxes				
General business	$ 394,361	$ —	$ —	$ —
Consumption and use	183,132	—	—	—
Federal grants	—	—	—	—
Lottery	—	—	—	—
Miscellaneous	10,709	355	505	93
Total revenues	588,202	355	505	93
EXPENDITURES:				
Grants to local governments				
Education	—	—	—	—
Social services	—	—	—	—
Health and environmental	—	—	—	—
Transportation	578,047	—	—	—
Mental health	—	—	—	—
Criminal justice	—	—	—	—
Other programs	—	—	—	—
Operations of state departments and agencies				
Personal service costs	—	—	313	—
Non-personal service costs	35	62	85	—
Pension contributions	—	—	—	—
Other fringe benefits	—	—	70	—
Total expenditures	578,082	62	468	—
Excess (deficiency) of revenues over expenditures	10,120	293	37	93
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	—	—	—	—
Operating transfers to other funds	—	—	—	—
Net other financing sources (uses)	—	—	—	—
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	10,120	293	37	93
Fund balances (deficits) at April 1, 1985	242,291	766	(3)	—
Fund balances (deficits) at March 31, 1986	$ 252,411	$ 1,059	$ 34	$ 93

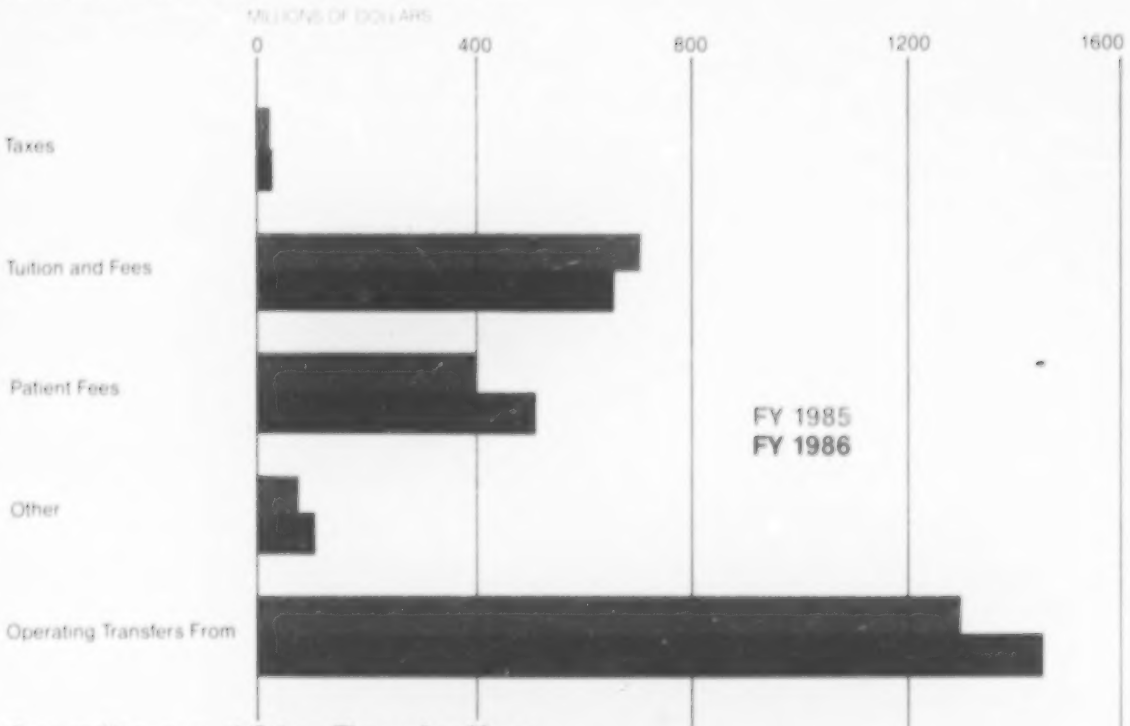
Vocational Rehabilitation	Unemployment Insurance Administration	Unemployment Insurance Interest and Penalty	Unemployment Insurance Occupational Training	Federal Job Training Partnership	Sole Custody	Eliminations	Totals Year Ended March 31, 1986	1985
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 394,361	$ 414,827
–	–	–	–	–	–	–	183,132	164,976
–	204,535	–	3,804	187,500	–	–	8,304,174	7,611,344
–	–	–	–	–	–	–	1,245,384	1,200,904
269	15,554	5,452	–	–	300	–	100,610	73,871
269	**220,089**	**5,452**	**3,804**	**187,500**	**300**	**–**	**10,227,661**	**9,465,922**
–	–	–	–	9,896	–	–	1,481,745	1,342,617
–	–	–	–	31	–	–	5,384,279	4,972,100
–	–	–	–	–	–	–	154,594	136,716
–	–	–	–	–	–	–	578,913	505,825
–	–	–	–	–	–	–	30,729	19,101
–	–	–	–	–	–	–	1,637	–
–	–	–	–	160,921	–	–	339,894	184,583
164	141,447	1,258	–	1,453	–	–	348,502	346,285
58	45,966	4,420	4,108	4,576	300	–	946,695	1,084,695
–	16,988	–	–	–	–	–	41,304	45,287
108	26,107	381	–	513	–	–	65,162	54,939
330	**230,508**	**6,059**	**4,108**	**177,390**	**300**	**–**	**9,373,454**	**8,692,148**
(61)	**(10,419)**	**(607)**	**(304)**	**10,110**	**–**	**–**	**854,207**	**773,774**
–	10,419	–	–	–	–	(17,261)	133,580	95
–	–	–	–	(10,110)	–	17,261	(818,272)	(717,076)
–	**10,419**	**–**	**–**	**(10,110)**	**–**	**–**	**(684,692)**	**(716,981)**
(61)	–	(607)	(304)	–	–	–	169,515	56,793
19	–	2,026	304	–	9	–	303,669	246,876
$ (42)	**$ –**	**$ 1,419**	**$ –**	**$ –**	**$ 9**	**$ –**	**$ 473,184**	**$ 303,669**

Debt Service Funds

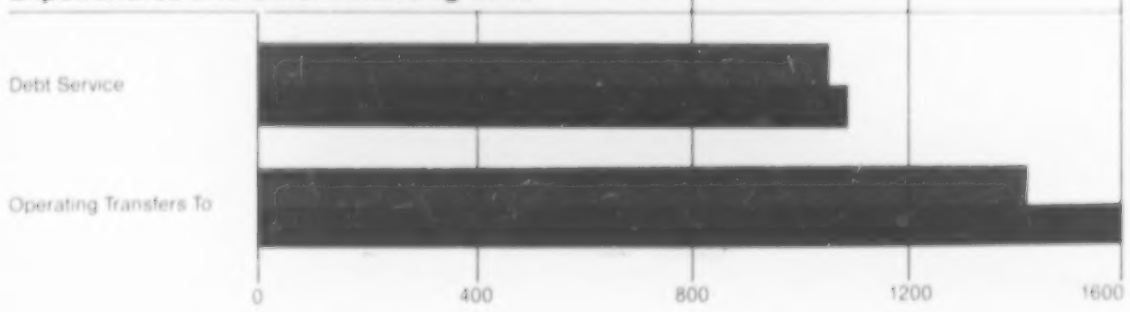
State Capitol Facade, Albany

Debt Service Funds account for monies received for the purpose of paying principal and interest on State debt.

Revenues and Other Financing Sources



Expenditures and Other Financing Uses



Debt Service Funds—Combining Balance Sheet

March 31, 1986
(Amounts in thousands) (Unaudited)

	General Debt Service	Grade Crossing Elimination	State Housing Debt	Department of Health Income	Emergency Highway Reconditioning and Preservation
ASSETS:					
Cash and marketable securities	$ –	$ 10,357	$ (1,463)	$ 7,579	$ 38,175
Receivables, net of allowance for uncollectibles:					
Other	–	1,231	8,518	17,615	211
Due from other funds	–	–	–	–	–
Total assets	$ –	$ 11,588	$ 7,055	$ 25,194	$ 38,386
LIABILITIES:					
Accounts payable	$ –	$ –	$ –	$ –	$ –
Accrued liabilities	–	–	29	–	–
Due to other funds	–	–	–	–	1,298
Deferred revenues	–	893	–	–	–
Total liabilities	–	893	29	–	1,298
EQUITY:					
Fund balances:					
Reserved for:					
Debt service	–	–	–	–	–
Unreserved:					
Designated	–	10,695	7,026	25,194	37,088
Total equity	–	10,695	7,026	25,194	37,088
Commitments and contingencies					
Total liabilities and equity	$ –	$ 11,588	$ 7,055	$ 25,194	$ 38,386

State University Dormitory Income	Emergency Highway Construction and Reconstruction	State University Income	CUNY Construction	State University Construction	Facilities Development Corporation	Sole Custody	Totals March 31, 1986	Totals March 31, 1985
$ 12,954	$ –	$ 89,327	$ 5,599	$ 312,636	$ 149,532	$ 17,449	$ 642,145	$ 632,872
4,416	1	90,056	11	5,980	104,427	–	232,466	174,496
1,267	–	7,659	–	–	–	–	8,926	7,872
$ 18,637	**$ 1**	**$ 187,042**	**$ 5,610**	**$ 318,616**	**$ 253,959**	**$ 17,449**	**$ 883,537**	**$ 815,240**
$ 11	$ –	$ 55	$ 64	$ –	$ –	$ –	$ 130	$ 114
–	–	–	427	–	–	–	456	350
12	1	27	–	–	–	–	1,338	–
16,126	–	42,702	–	–	–	–	59,721	60,237
16,149	**1**	**42,784**	**491**	**–**	**–**	**–**	**61,645**	**60,701**
–	–	–	–	222,702	100,520	–	323,222	323,932
2,488	–	144,258	5,119	95,914	153,439	17,449	498,670	430,607
2,488	**–**	**144,258**	**5,119**	**318,616**	**253,959**	**17,449**	**821,892**	**754,539**
$ 18,637	**$ 1**	**$ 187,042**	**$ 5,610**	**$ 318,616**	**$ 253,959**	**$ 17,449**	**$ 883,537**	**$ 815,240**

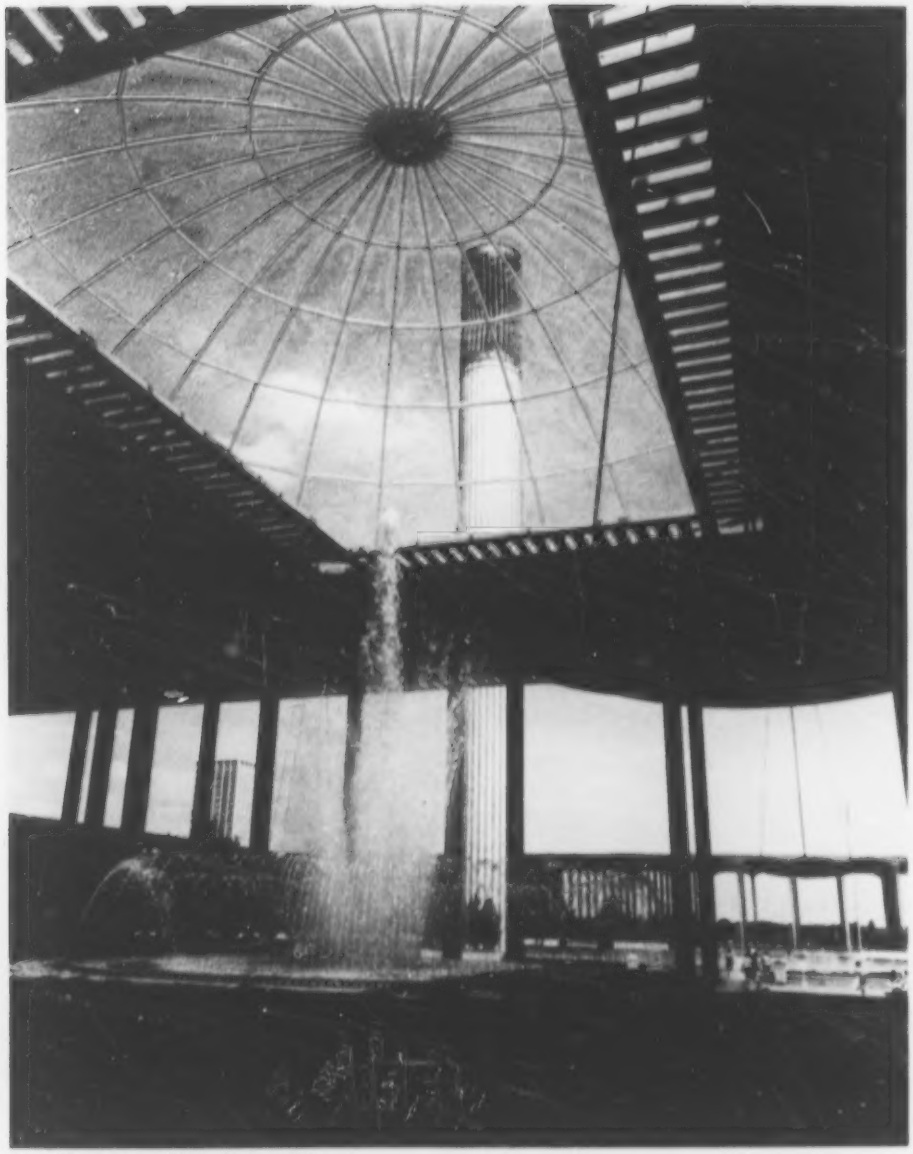
Debt Service Funds— Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	General Debt Service	Grade Crossing Elimination	State Housing Debt	Department of Health Income	Emergency Highway Reconditioning and Preservation	State University Dormitory Income
REVENUES:						
Consumption and use taxes	$ –	$ –	$ –	$ –	$ 14,384	$ –
Federal grants	–	–	10,886	–	–	912
Tuition and fees	–	–	–	–	–	98,592
Patient fees	–	–	–	55,687	–	–
Miscellaneous	–	1,135	31,780	987	2,348	1,289
Total revenues	–	1,135	42,666	56,674	16,732	100,793
EXPENDITURES:						
Debt service, including payments on financing agreements	745,972	1,205	43,251	7,463	2,134	29,659
Total expenditures	745,972	1,205	43,251	7,463	2,134	29,659
Excess (deficiency) of revenues over expenditures	(745,972)	(70)	(585)	49,211	14,598	71,134
OTHER FINANCING SOURCES (USES):						
Operating transfers from other funds	745,972	–	–	–	–	–
Operating transfers to other funds	–	–	–	(49,908)	(1,298)	(67,063)
Net other financing sources (uses)	745,972	–	–	(49,908)	(1,298)	(67,063)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	–	(70)	(585)	(697)	13,300	4,071
Fund balances (deficits) at April 1, 1985	–	10,765	7,611	25,891	23,788	(1,583)
Fund balances at March 31, 1986	$ –	$ 10,695	$ 7,026	$ 25,194	$ 37,088	$ 2,488

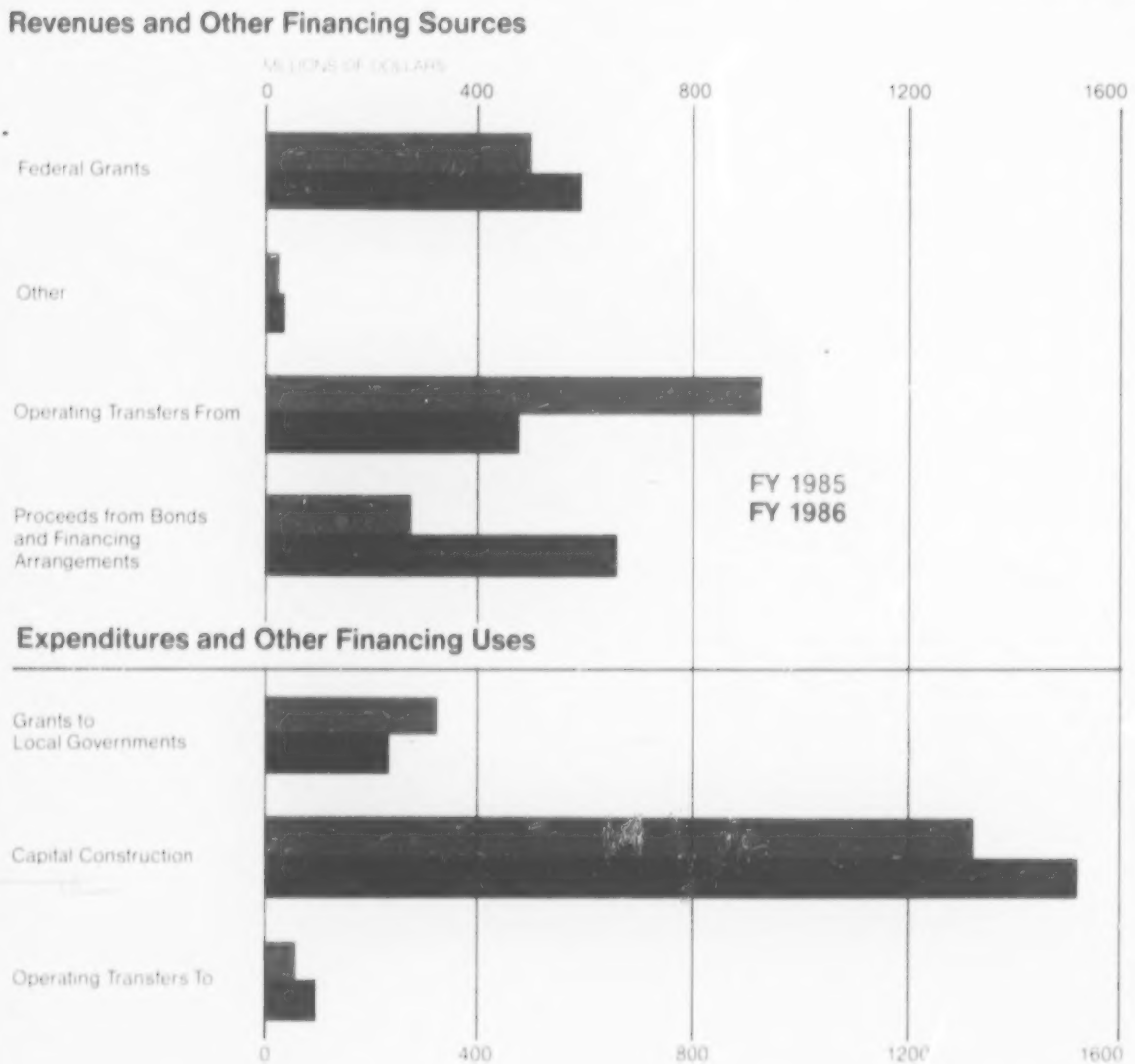
Emergency Highway Construction and Reconstruction	State University Income	CUNY Construction	State University Construction	Facilities Development Corporation	Sole Custody	Eliminations	Totals Year Ended March 31, 1986	1985
$ 14,384	$ –	$ –	$ –	$ –	$ –	$ –	$ 28,768	$ 25,022
–	872	–	–	–	–	–	12,670	11,467
–	418,184	224,160	188,038	–	–	(269,838)	659,136	705,723
–	205,321	–	–	249,592	–	–	510,600	401,099
6	9,472	6,511	32,787	11,000	–	–	97,315	62,689
14,390	**633,849**	**230,671**	**220,825**	**260,592**	**–**	**(269,838)**	**1,308,489**	**1,206,000**
–	187,865	82,582	215,543	50,260	–	(269,838)	1,096,096	1,061,321
–	**187,865**	**82,582**	**215,543**	**50,260**	**–**	**(269,838)**	**1,096,096**	**1,061,321**
14,390	**445,984**	**148,089**	**5,282**	**210,332**	**–**	**–**	**212,393**	**144,679**
–	–	–	–	693,411	17,449	–	1,456,832	1,297,691
(14,390)	(459,090)	(148,019)	(5,319)	(856,785)	–	–	(1,601,872)	(1,425,758)
(14,390)	**(459,090)**	**(148,019)**	**(5,319)**	**(163,374)**	**17,449**	**–**	**(145,040)**	**(128,067)**
–	(13,106)	70	(37)	46,958	17,449	–	67,353	16,612
–	157,364	5,049	318,653	207,001	–	–	754,539	737,927
$ –	**$ 144,258**	**$ 5,119**	**$ 318,616**	**$ 253,959**	**$ 17,449**	**$ –**	**$ 821,892**	**$ 754,539**

Capital Projects Funds



State University of New York at Albany

Capital Projects Funds including bond funds are used to account for the handling of bond and bond anticipation note proceeds and other Federal and State revenues earmarked for capital expenditures. They are subject to appropriation and the budgetary process. The cost of constructing and reconstructing various capital facilities of the State including highways, parkways, grade crossings and certain institutions are made from Capital Projects Funds. Expenditures may be financed by current revenues or from the proceeds of the sale of bond anticipation notes, permanent bonds and other financing arrangements.



Capital Projects Funds—Combining Balance Sheet

March 31, 1986
(Amounts in thousands) (Unaudited)

	State Capital Projects	Energy Conservation/ Improved Transportation Bond	Parks and Recreation Land Acquisition Bond	Pure Waters Bond	Outdoor Recreation Development Bond	Transportation Capital Facilities Bond	Environmental Quality Protection Bond
ASSETS							
Cash and marketable securities	$ 69,787	$ 10,036	$ 78	$ 6,634	$ 49	$ 2,110	$ 29,898
Receivables, net of allowance for uncollectibles							
Due from Federal government	–	–	–	–	–	–	–
Other	26,564	–	–	–	–	–	–
Due from other funds	550	–	–	–	–	–	–
Marketable securities held in lieu of retainage	43,059	–	–	–	–	–	–
Total assets	**$ 139,960**	**$ 10,036**	**$ 78**	**$ 6,634**	**$ 49**	**$ 2,110**	**$ 29,898**
LIABILITIES							
Accounts payable	$ 230,646	$ –	$ –	$ –	$ –	$ –	$ –
Accrued liabilities	679	–	–	–	–	–	–
Due to other funds	547	–	–	–	–	–	–
Deferred revenues	6,169	–	–	–	–	–	–
Notes payable	–	–	500	20,060	–	7,410	37,925
Total liabilities	**238,041**	**–**	**500**	**20,060**	**–**	**7,410**	**37,925**
EQUITY (DEFICIT)							
Fund balances (deficits)							
Reserved for							
Encumbrances	1,172,916	–	769	–	–	–	–
Other specified purposes	26,563	–	–	–	–	–	–
Unreserved							
Undesignated	(1,297,560)	10,036	(1,191)	(13,426)	49	(5,300)	(8,027)
Total equity (deficit)	**(98,081)**	**10,036**	**(422)**	**(13,426)**	**49**	**(5,300)**	**(8,027)**
Commitments and contingencies							
Total liabilities and fund equity	**$ 139,960**	**$ 10,036**	**$ 78**	**$ 6,634**	**$ 49**	**$ 2,110**	**$ 29,898**

Rail Preservation and Development Bond	State Housing Bond	Transportation Infrastructure Renewal Bond	Federal Capital Projects	Forest Preserve Expansion	NYS Exposition Horse Facility Construction	State University Capital Projects	Special Parkway Rehabilitation	Totals March 31, 1986	Totals March 31, 1985
$ 4,135	$ 340	$ 46,874	$ 1,374	$ 369	$ 71	$ 260	$ 16,883	$ 188,898	$ 199,767
–	–	–	69,910	–	–	–	–	69,910	78,459
–	–	–	1	2	–	2	89	26,658	51,719
–	–	–	125	–	–	–	–	675	336
–	–	–	–	–	–	–	–	43,059	34,299
$ 4,135	**$ 340**	**$ 46,874**	**$ 71,410**	**$ 371**	**$ 71**	**$ 262**	**$ 16,972**	**$ 329,200**	**$ 364,580**
$ –	$ 340	$ –	$ 55,037	$ –	$ 1	$ 24	$ 2,164	$ 288,212	$ 247,971
–	–	–	108	–	–	–	112	899	1,878
–	–	–	16,266	–	13	–	122	16,948	35,986
–	–	–	–	–	–	238	–	6,407	6,742
–	340	89,005	–	–	–	–	–	155,240	118,300
–	**680**	**89,005**	**71,411**	**–**	**14**	**262**	**2,398**	**467,706**	**410,877**
–	564	–	1,003,018	–	15	164	13,404	2,190,850	2,169,994
–	–	–	–	–	–	–	–	26,563	51,038
4,135	(904)	(42,131)	(1,003,019)	371	42	(164)	1,170	(2,355,919)	(2,267,329)
4,135	**(340)**	**(42,131)**	**(1)**	**371**	**57**	**–**	**14,574**	**(138,506)**	**(46,297)**
$ 4,135	**$ 340**	**$ 46,874**	**$ 71,410**	**$ 371**	**$ 71**	**$ 262**	**$ 16,972**	**$ 329,200**	**$ 364,580**

Capital Projects Funds— Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	State Capital Projects	Energy Conservation/ Improved Transportation Bond	Parks and Recreation Land Acquisition Bond	Pure Waters Bond	Outdoor Recreation Development Bond	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Rail Preservation and Development Bond
REVENUES								
Federal grants	$ 662	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Miscellaneous	26,426	–	–	–	–	–	–	–
Total revenues	27,088	–	–	–	–	–	–	–
EXPENDITURES								
Grants to local governments:								
Education	3,627	–	–	–	–	–	–	–
Health and environmental	78,245	–	–	–	–	–	–	–
Transportation	80,156	–	–	–	–	–	–	–
Mental health	7,526	–	–	–	–	–	–	–
Housing and urban renewal	–	–	–	–	–	–	–	–
Other programs	62,007	–	–	–	–	–	–	–
Capital construction	909,144	–	295	–	–	–	–	–
Total expenditures	1,140,705	–	295	–	–	–	–	–
Excess (deficiency) of revenues over expenditures	(1,113,617)	–	(295)	–	–	–	–	–
Other financing sources (uses):								
Operating transfers from other funds	731,737	–	–	–	–	–	–	–
Operating transfers to other funds	(102,944)	(20,315)	–	(23,564)	(16)	(7,621)	(59,354)	(3,953)
Proceeds of general obligation bonds	–	14,000	–	12,000	–	–	36,500	5,000
Proceeds from financing agreements	494,658	–	–	–	–	–	–	–
Net other financing sources (uses)	1,123,451	(6,315)	–	(11,564)	(16)	(7,621)	(22,854)	1,047
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	9,834	(6,315)	(295)	(11,564)	(16)	(7,621)	(22,854)	1,047
Fund balances (deficits) at April 1, 1985	(107,915)	16,351	(127)	(1,862)	65	2,321	14,827	3,088
Fund balances (deficits) at March 31, 1986	$ (98,081)	$ 10,036	$ (422)	$ (13,426)	$ 49	$ (5,300)	$ (8,027)	$ 4,135

State Housing Bond	Transportation Infrastructure Renewal Bond	Federal Capital Projects	Forest Preserve Expansion	NYS Exposition Horse Facility Construction	State University Capital Projects	Special Parkway Rehabilitation	Eliminations	Totals Year Ended March 31, 1986	1985
$ –	$ –	$ 590,930	$ –	$ –	$ 353	$ –	$ –	$ 591,945	$ 494,049
–	–	267	28	102	132	9,055	–	36,010	27,278
–	–	591,197	28	102	485	9,055	–	627,955	521,327
–	–	–	–	–	–	–	–	3,627	3,096
–	–	–	–	–	–	–	–	78,245	86,243
–	–	182	–	–	–	–	–	80,338	157,403
–	–	407	–	–	–	–	–	7,933	18,203
–	–	–	–	–	–	–	–	–	828
–	–	158	–	–	–	–	–	62,165	63,472
630	–	590,451	–	170	485	19,409	–	1,520,584	1,327,955
630	–	591,198	–	170	485	19,409	–	1,752,892	1,657,200
(630)	–	(1)	28	(68)	–	(10,354)	–	(1,124,937)	(1,135,873)
–	–	–	–	–	–	5,500	(260,569)	476,668	927,525
–	(141,400)	–	–	–	–	–	260,569	(98,598)	(59,342)
–	92,500	–	–	–	–	–	–	160,000	210,000
–	–	–	–	–	–	–	–	494,658	64,075
–	(48,900)	–	–	–	–	5,500	–	1,032,728	1,142,258
(630)	(48,900)	(1)	28	(68)	–	(4,854)	–	(92,209)	6,385
290	6,769	–	343	125	–	19,428	–	(46,297)	(52,682)
$ (340)	$ (42,131)	$ (1)	$ 371	$ 57	$ –	$ 14,574	$ –	$ (138,506)	$ (46,297)

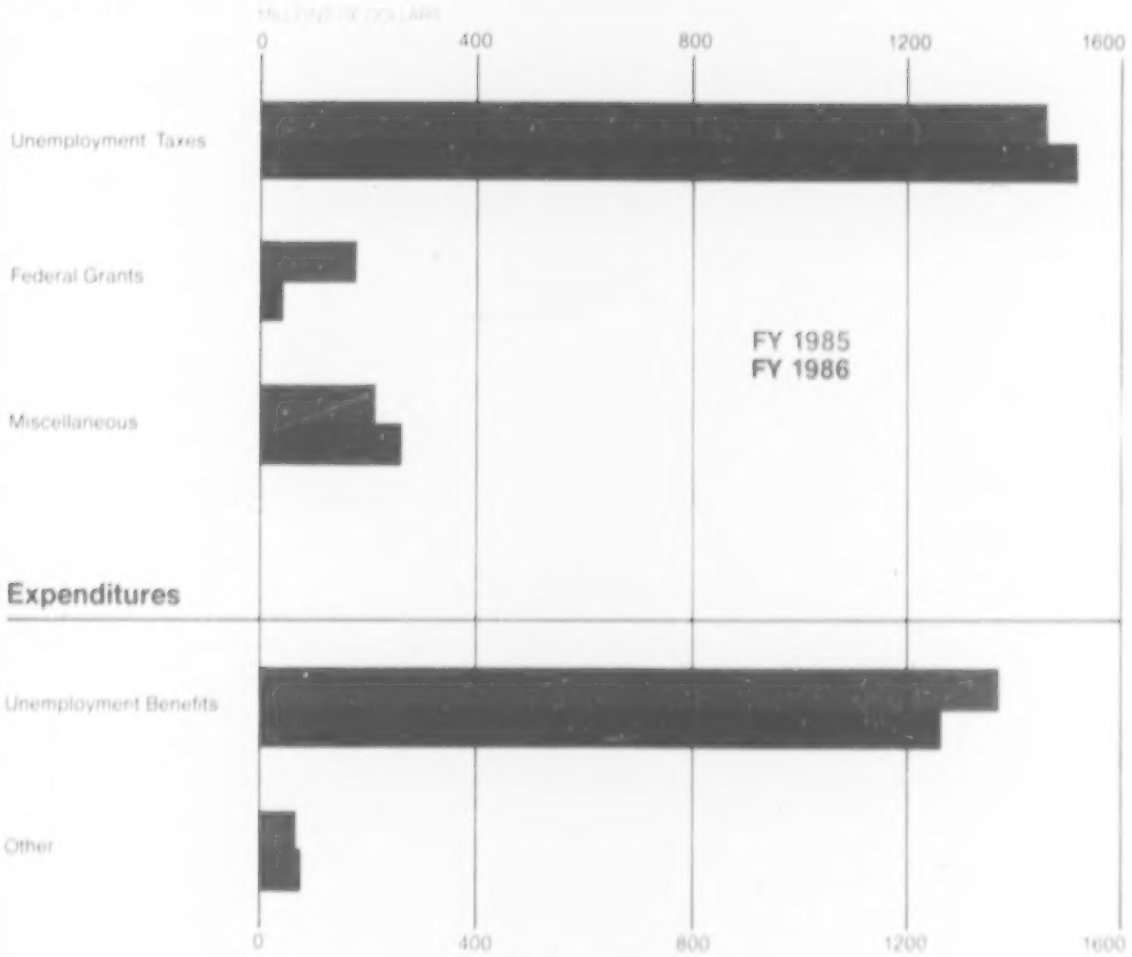
Trust & Agency Funds

Adam Clayton Powell State Office Building, New York City

Trust and Agency Funds account for resources which are held in a fiduciary or agency capacity. They are not considered governmental operating funds for accounting and reporting purposes since their assets are not available for general State purposes. These funds are generally not subject to the appropriation and budgetary process.

In addition, there are numerous funds which are administered under the sole custody of individual State officials. These funds have been created outside the State Treasury by specific legislation or administrative action and are generally held in a fiduciary (trust or agency) capacity rather than as funds whose assets are available for general State operations. Among the funds not considered to be directly related to State governmental operations are the funds for the personal needs of patients and inmates at the State's Mental Hygiene, Correction and Health facilities.

Revenues



Trust and Agency Funds—Combining Balance Sheet

March 31, 1986
(Amounts in thousands) (Unaudited)

	Expendable Trust Funds				
	Mental Hygiene Gifts and Donations	Combined Expendable Trust	New York Interest on Lawyer Account	Unemployment Insurance Benefit Account	Sole Custody
ASSETS:					
Cash and marketable securities	$ 1,351	$ 17,627	$ 1,023	$ 1,503,538	$ 207,918
Receivables, net of allowances for uncollectibles					
Taxes	–	–	–	765,853	–
Due from Federal government	–	–	–	283	–
Other	8	123	2	63,489	3,201
Due from other funds	1	103	–	–	–
Other assets	3	90	–	–	–
Total assets	$ 1,363	$ 17,943	$ 1,025	$ 2,333,223	$ 211,119
LIABILITIES:					
Payable to local government	$ –	$ –	$ –	$ –	$ –
Accounts payable	82	690	–	–	–
Accrued liabilities	–	116	9	51,600	–
Due to other funds	12	260	11	–	–
Deferred income	–	–	–	–	–
Total liabilities	94	1,066	20	51,600	–
EQUITY:					
Fund balances					
Reserved for					
Unemployment benefits	–	–	–	2,281,623	–
Other specified purposes	1,269	16,877	1,005	–	211,119
Total equity	1,269	16,877	1,005	2,281,623	211,119
Commitments and contingencies					
Total liabilities and equity	$ 1,363	$ 17,943	$ 1,025	$ 2,333,223	$ 211,119

Nonexpendable Trust Funds

Combined Student Loan	Combined Nonexpendable Trust Gifts/ Bequests	Winter Sports Education	Musical Instrument Revolving	Housing Development	Nursing Home Development	CUNY Student Loan	CUNY Endowment	Sole Custody
$ 1,435	$ 3,408	$ 5,156	$ 200	$ 1,156	$ 96	$ 1,687	$ 35,429	$ 118,720
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
91,209	22	34	–	8	1	21,890	101	–
855	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
$ 93,499	$ 3,430	$ 5,190	$ 200	$ 1,164	$ 97	$ 23,777	$ 35,530	$ 118,720
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
402	19	–	–	–	–	29	–	–
–	10	–	–	–	–	45	–	–
8	9	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
410	38	–	–	–	–	74	–	–
–	–	–	–	–	–	–	–	–
93,089	3,392	5,190	200	1,164	97	23,703	35,530	118,720
93,089	3,392	5,190	200	1,164	97	23,703	35,530	118,720
$ 93,499	$ 3,430	$ 5,190	$ 200	$ 1,164	$ 97	$ 23,777	$ 35,530	$ 118,720

Trust and Agency Funds—Combining Balance Sheet (cont'd)

March 31, 1986
(Amounts in thousands) (Unaudited)

	Agency						
	Employees Health Insurance	Social Security Contribution	NYS Employee Payroll Withholding	Employees Dental Insurance	Management Confidential Group Insurance	Lottery Prize	Fringe Benefit Escrow
ASSETS:							
Cash and marketable securities	$ 72,889	$ 19,259	$ 36,725	$ 1,519	$ 1,719	$ 447,047	$ 3,327
Receivables, net of allowances for uncollectibles							
Taxes	—	—	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	410	633	13	—	9	946	—
Due from other funds	—	—	251	—	—	—	56,614
Other assets	—	—	—	—	—	—	804
Total assets	$ 73,299	$ 19,892	$ 36,989	$ 1,519	$ 1,728	$ 447,993	$ 60,740
LIABILITIES:							
Payable to local government	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Accounts payable	30,665	—	390	1,075	1,248	—	300
Accrued liabilities	42,634	19,892	33,599	444	480	447,993	59,840
Due to other funds	—	—	—	—	—	—	—
Deferred income	—	—	—	—	—	—	—
Total liabilities	73,299	19,892	36,989	1,519	1,728	447,993	60,740
EQUITY:							
Fund balances							
Reserved for							
Unemployment benefits	—	—	—	—	—	—	—
Other specified purposes	—	—	—	—	—	—	—
Total equity	—	—	—	—	—	—	—
Commitments and contingencies							
Total liabilities and equity	$ 73,299	$ 19,892	$ 36,989	$ 1,519	$ 1,728	$ 447,993	$ 60,740

Funds

Miscellaneous	State Aid and Local Assistance Revenue Withholding	CUNY Senior College Operating	MMIS Statewide Escrow	SUNY Collection	CUNY	Sole Custody	Totals March 31, 1986	Totals March 31, 1985
$ 139,644	$ 76,117	$ 5,970	$ 87,667	$ 14,676	$ 1,920	$ 1,579,589	$ 4,386,467	$ 3,724,945
—	—	—	—	—	—	—	765,853	735,416
—	—	—	—	—	—	76,628	76,911	96,201
608	—	7	594	—	11	54,953	238,272	270,666
177	—	87	1	1,525	—	5,770	65,384	58,189
—	—	—	—	—	5	—	902	—
$ 139,829	$ 76,117	$ 6,064	$ 88,262	$ 16,201	$ 1,936	$ 1,716,940	$ 5,533,789	$ 4,885,417
$ —	$ —	$ —	$ —	$ —	$ —	$ 982,285	$ 982,285	$ 974,656
7,739	—	6,064	—	—	27	—	49,330	45,311
124,859	76,117	—	86,954	6,035	1,891	734,655	1,690,173	1,545,700
7,231	—	—	1,308	10,166	—	—	19,005	6,968
—	—	—	—	—	18	—	18	—
139,829	76,117	6,064	88,262	16,201	1,936	1,716,940	2,740,811	2,572,635
—	—	—	—	—	—	—	2,281,623	1,826,795
—	—	—	—	—	—	—	511,355	485,987
—	—	—	—	—	—	—	2,792,978	2,312,782
$ 139,829	$ 76,117	$ 6,064	$ 88,262	$ 16,201	$ 1,936	$ 1,716,940	$ 5,533,789	$ 4,885,417

Nonexpendable Trust Funds— Combining Statement of Revenues, Expenses and Changes in Equity

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	Combined Student Loan	Combined Nonexpendable Trust Gifts/ Bequests	Winter Sports Education	Musical Instrument Revolving
REVENUES:				
Federal grants	$ 1,558	$ –	$ –	$ –
Miscellaneous	995	270	407	199
Total revenues	2,553	270	407	199
EXPENSES:				
Operations	–	342	450	–
Total expenses	–	342	450	–
Excess (deficiency) of revenues over expenses	2,553	(72)	(43)	199
Equity at April 1, 1985	90,536	3,464	5,233	1
Equity at March 31, 1986	$ 93,089	$ 3,392	$ 5,190	$ 200

Housing Development	Nursing Home Development	CUNY Student Loan	CUNY Endowment	Sole Custody	Totals Year Ended March 31, 1986	1985
$ –	$ –	$ 1,006	$ –	$ –	$ 2,564	$ 1,878
1,571	7	2,393	1,690	34,663	42,195	22,188
1,571	**7**	**3,399**	**1,690**	**34,663**	**44,759**	**24,066**
1,424	–	4,207	225	301	6,949	6,733
1,424	**–**	**4,207**	**225**	**301**	**6,949**	**6,733**
147	7	(808)	1,465	34,362	37,810	17,333
1,017	90	24,511	34,065	84,358	243,275	225,942
$ 1,164	**$ 97**	**$ 23,703**	**$ 35,530**	**$ 118,720**	**$ 281,085**	**$ 243,275**

Expendable Trust Funds— Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended March 31, 1986
(Amounts in thousands) (Unaudited)

	Mental Hygiene Gifts and Donations	Combined Expendable Trust	New York Interest on Lawyer Account	Unemployment Insurance Benefit Account	Sole Custody	Totals Year Ended March 31, 1986	1985
REVENUES:							
Unemployment taxes	$ —	$ —	$ —	$ 1,521,646	$ —	$ 1,521,646	$ 1,461,194
Federal grants	—	6,220	—	28,360	—	34,580	182,629
Miscellaneous	988	13,073	263	164,945	39,771	219,040	192,534
Total revenues	988	19,293	263	1,714,951	39,771	1,775,266	1,836,357
EXPENDITURES:							
Grants to local governments	—	4,284	—	—	—	4,284	74
Operation of state departments and agencies							
Personal service costs	—	1,708	97	—	—	1,805	1,890
Non-personal service costs	772	6,838	62	—	58,433	66,105	63,814
Other fringe benefits	—	532	31	—	—	563	79
Unemployment benefits	—	—	—	1,260,123	—	1,260,123	1,372,908
Total expenditures	772	13,362	190	1,260,123	58,433	1,332,880	1,438,765
Excess (deficiency) of revenues over expenditures	216	5,931	73	454,828	(18,662)	442,386	397,592
Fund balances at April 1, 1985	1,053	10,946	932	1,826,795	229,781	2,069,507	1,671,915
Fund balances at March 31, 1986	$ 1,269	$ 16,877	$ 1,005	$ 2,281,623	$ 211,119	$ 2,511,893	$ 2,069,507

Statistical Section

State Education Building, Albany

Schedule of Revenues, Expenditures and Other Financing Sources (Uses)

ALL GOVERNMENTAL FUNDS

For the Ten Past Fiscal Years

(Amounts in millions) (Unaudited)

	1976-77	1977-78	1978-79
REVENUES:			
Taxes	$ 10,363	$ 10,491	$ 11,005
Miscellaneous revenues	1,255	1,355	1,502
Federal grants	4,577	4,772	5,473
Receivables from other government units	1,777	1,025	1,011
Repayment of advances by public authorities	67	42	24
Total revenues	**18,039**	**17,685**	**19,015**
EXPENDITURES:			
Grants to local governments	10,426	10,569	11,303
Operation of state departments and agencies	4,345	4,839	5,347
Debt service	836	779	840
Capital projects	876	774	1,015
Advances and miscellaneous	890	886	900
General state charges	—	—	—
Total expenditures	**17,373**	**17,847**	**19,405**
Revenues over (under) expenditures	666	(162)	(390)
OTHER FINANCING SOURCES (USES):			
Bond proceeds	(634)	279	99
Tax and revenue anticipation note proceeds	—	—	—
Transfers from other funds	—	—	—
Transfers to other funds	—	—	—
Net other financing sources (uses)	**(634)**	**279**	**99**
Operating revenues and other financing sources over (under) expenditures and other financing uses	**$ 32**	**$ 117**	**$ (291)**

Amounts prior to 1980-81 fiscal year are cash basis amounts
Amounts prior to 1983-84 fiscal year are unaudited

1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
$ 12,320	$ 13,597	$ 15,060	$ 16,252	$ 18,498	$ 20,803	$ 22,255
1,768	2,140	2,782	3,191	2,943	3,555	3,798
6,113	5,936	6,955	7,047	7,432	8,195	8,999
135	–	–	–	–	–	–
32	–	–	–	–	–	–
20,368	**21,673**	**24,797**	**26,490**	**28,873**	**32,553**	**35,052**
12,168	13,136	15,705	17,005	17,737	19,591	21,405
6,033	7,144	6,925	9,018	9,543	10,625	11,165
896	858	701	1,143	1,229	1,309	1,315
1,194	1,016	996	1,294	1,109	1,328	1,521
122	–	–	–	–	–	–
–	–	1,172	–	–	–	–
20,413	**22,154**	**25,499**	**28,460**	**29,618**	**32,853**	**35,406**
(45)	(481)	(702)	(1,970)	(745)	(300)	(354)
283	240	123	529	295	274	655
–	–	–	218	–	–	–
–	23	3,348	3,908	3,396	3,770	3,794
–	–	(3,093)	(3,512)	(3,396)	(3,770)	(3,794)
283	**263**	**378**	**1,143**	**295**	**274**	**655**
$ 238	**$ (218)**	**$ (324)**	**$ (827)**	**$ (450)**	**$ (26)**	**$ 301**

Schedule of Collections of Principal State Taxes

(Amounts in millions) (Unaudited)

Fiscal Year	Personal Income Tax	Sales and Use Tax	Motor Fuel Tax	Corp Franchise Tax	Cigarette Tax	Corp & Utility Tax	Total Taxes Collected By Year
1976-77	$ 4,527	$ 2,218	$ 492	$ 1,043	$ 334	$ 448	$ 9,062
1977-78	4,476	2,412	481	1,087	335	450	9,241
1978-79	4,894	2,590	490	1,005	328	480	9,787
1979-80	5,962	2,824	460	1,014	332	536	11,128
1980-81	6,617	2,957	436	1,094	336	635	12,075
1981-82	8,040	3,097	430	1,137	338	783	13,825
1982-83	8,227	3,858	423	1,044	333	778	14,663
1983-84	9,417	3,757	396	1,201	438	929	16,138
1984-85	10,391	4,017	384	1,455	434	929	17,610
1985-86	11,482	4,567	440	1,526	425	888	19,328
1986-87 (Projected)	12,630	4,820	460	1,490	419	908	20,727
TOTAL	$ 86,663	$ 37,117	$ 4,892	$ 13,096	$ 4,052	$ 7,764	$ 153,584

Schedule of State Related Debt Per Capita

(Unaudited)

Fiscal Year	Total State Population (millions)	General Obligation Debt	State Guaranteed Authority Debt	Lease/Purchase and Contractual Obligation Debt	Moral Obligation Debt	Total Debt
1976-77	18.1	$ 204	$ 30	$ 213	$ 485	$ 932
1977-78	17.9	207	30	218	584	1,039
1978-79	17.7	206	29	225	630	1,090
1979-80	17.6	206	30	222	656	1,114
1980-81	17.6	206	29	222	676	1,133
1981-82	17.6	209	28	261	711	1,209
1982-83	17.6	216	28	284	714	1,242
1983-84	17.6	213	31	303	736	1,283
1984-85	17.7	215	35	318	726	1,294
1985-86	17.8	210	32	339	703	1,284

Schedule of Demographic Statistics

(Unaudited)

Years	Population (1000s)	% of U.S. Population	Per Capita Pers. Inc.	Unemployment (1000s)	Unemployment %
1975	18,041	9.4	$ 6,545	727	7.5
1976	18,000	9.0	7,800	700	7.6
1977	17,500	8.5	8,100	750	7.6
1978	17,550	7.8	9,000	695	7.7
1979	17,500	7.6	9,800	598	7.5
1980	17,558	7.6	10,256	597	7.6
1981	17,556	7.5	11,466	612	8.6
1982	17,567	7.5	12,314	686	8.6
1983	17,667	7.5	12,990	691	8.6
1984	17,735	7.4	13,200	612	8.5
1985	18,000	7.5	13,300	600	8.6

Schedule of City Populations Within New York State

(Unaudited)

City	1930	1940	1950	1960	1970	1980
New York City	6,930,446	7,454,995	7,891,957	7,781,984	7,895,563	7,071,639
Buffalo	573,076	575,901	580,132	532,759	462,768	357,370
Rochester	328,132	324,975	332,488	318,611	295,011	241,741
Yonkers	134,646	142,598	152,798	190,634	204,297	195,301
Syracuse	209,326	205,967	220,583	216,038	197,297	170,105
Albany	127,412	130,577	134,995	129,726	115,781	101,727
Utica	101,740	100,518	101,531	100,410	91,373	75,632
Niagara Falls	75,460	78,029	90,872	102,394	85,615	71,384
Schenectady	95,692	87,549	91,785	81,682	77,859	67,972
Total State Population	12,588,066	13,479,142	14,830,192	16,782,304	18,241,958	17,558,072

Schedule of Ten Largest Industrial & Commercial Employers

(Unaudited)

Firm	Location
The Chase Manhattan Corporation	New York City
Citicorp	New York City
Eastman Kodak Company	Rochester
Federated Department Stores	New York City
General Electric Company	Schenectady
General Motors Corporation	Buffalo
Grumman Corporation	Bethpage
International Business Machines	Armonk
Manufacturers Hanover Trust Company	New York City
Sears, Roebuck & Company	Albany

STATE OF NEW YORK

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